

printed in bill form. This motion was put to the Committee and carried unanimously.

S. B. No. 113 was placed before the Committee by the author, Senator Burns, for consideration. After discussion it was moved by Senator Rawlings and seconded by Senator Burns that the bill be reported back to the Senate that it do pass and be printed in bill form. This motion was put to the Committee and carried unanimously.

S. B. No. 145 was placed before the Committee by its author, Senator Burns, and after discussion it was moved by Senator Rawlings and seconded by Senator Hill that this bill be set for a special hearing before a joint session of the House and Senate Monday, February 25, 1935, at 7:30 p. m. This motion was put before the Committee for consideration and was adopted by a unanimous vote.

There being no further business the Committee adjourned subject to call by the Chairman.

HOLBROOK, Chairman.

Minutes of Meeting of Committee on Stock and Stock Raising, Held February 19, 1935.

Present: Neal, Oneal, Collie, Poage, Rawlings, Stone.

Excused: Blackert, Fellbaum.

S. B. No. 58 was reported favorably by viva voce vote with committee amendment with the recommendation that it do pass and be printed.

F. G. MOFFETT, Secretary.

Minutes of Committee on Educational Affairs, Held February 18, 1935, Called Meeting.

Present: Duggan, Hornsby, Neal, Pace, Poage, Regan, Small, Woodruff.

Excused because of sickness: DeBerry, Cotten.

Absent: Burns, Hopkins.

S. B. No. 228 was referred to subcommittee to be rewritten.

S. B. No. 229 was reported to pass with the committee amendment.

S. B. No. 230 was referred to subcommittee to be rewritten.

S. B. No. 235 was reported favorably by viva voce vote.

S. B. No. 271 was deferred to next meeting.

S. B. No. 105 was requested to be withdrawn and referred to Finance Committee.

S. B. No. 106 was reported unfavorable by record vote of four to one.

S. B. No. 256 was reported favorably by viva voce vote.

MARGUERITE WILSON,
Secretary.

THIRTIETH DAY.

Senate Chamber,

Austin, Texas,

February 21, 1935.

The Senate met at 10 o'clock a. m., pursuant to adjournment, and was called to order by Lieutenant Governor Walter F. Woodul.

The roll call disclosed a quorum, the following Senators being present:

Beck.	Neal.
Blackert.	Oneal.
Burns.	Pace.
Collie.	Poage.
Cotten.	Rawlings.
Davis.	Redditt.
DeBerry.	Regan.
Duggan.	Sanderford.
Hill.	Shivers.
Holbrook.	Small.
Hopkins.	Stone.
Hornsby.	Sulak.
Hughston.	Van Zandt.
Martin.	Westerfeld.
Moore.	Woodruff.

Absent—Excused.

Fellbaum.

Prayer by the Chaplain.

Further reading of the Journal was dispensed with on motion of Senator Sulak.

Committee Reports.

(See Appendix.)

Minutes of Committee Meetings.

(See Appendix.)

Report of the Committee on Taxation.

(See Appendix.)

Senator Duggan received unanimous consent to print as a supplement to the Journal, the report of the Committee on Taxation.

Senators Excused.

Senator Fellbaum was excused for the day, on motion of Senator Stone. Senator Regan was excused for

the day on account of important business, on motion of Senator Rawlings.

Bills and Resolutions.

Senate Bill No. 324.

By Senator Oneal:

S. B. No. 324, A bill to be entitled "An Act prohibiting any person from catching, retaining or having in his possession any channel catfish or blue catfish which are less than eleven inches in length or to catch or retain or have in his possession in any one day a total aggregate of more than twenty of such fish taken from any of the waters described in Section 1 of Chapter 37 of the Acts of the Thirty-ninth Legislature; and providing a maximum number of hooks that may be used on any trot line and the minimum distance of said hooks from each other on said line; etc., and declaring an emergency."

Read and referred to the Committee on Game and Fish.

Senate Bill No. 325.

By Senator Duggan:

S. B. No. 325, A bill to be entitled "An Act amending Article 2849 of the Revised Civil Statutes of Texas, 1925, by increasing the number of years, in which old books may be offered for exchange on new books purchased upon a change of adoption, from two to three years; repealing all laws and parts of laws in conflict herewith; and declaring an emergency."

Read and referred to the Committee on Educational Affairs.

Senate Bill No. 326.

By Senator Shivers:

S. B. No. 326, A bill to be entitled "An Act amending subdivision (b) of Section 11 of Chapter 116, Acts of the Forty-third Legislature, Regular Session, and declaring an emergency."

Read and referred to the Committee on Civil Jurisprudence.

Senate Bill No. 327.

By Senator Shivers:

S. B. No. 327, A bill to be entitled "An Act to amend Article 1379 of the Penal Code of the State of Texas, so as to increase the penalty

from a fine of not less than ten nor more than five hundred dollars, to confinement in the jail for not less than three nor more than twelve months or in the penitentiary for not less than one nor more than five years, and to define 'owner' as therein used, and declaring an emergency."

Read and referred to the Committee on Criminal Jurisprudence.

Senate Bill No. 328.

By Senator Burns:

S. B. No. 328, A bill to be entitled "An Act amending Section 19 of H. B. No. 122, Chapter 116, Acts of the Regular Session, Forty-third Legislature, 1933, and declaring an emergency."

Read and referred to the Committee on Criminal Jurisprudence.

S. R. No. 40.

Delegate Appointed.

The Chair announced the appointment of Senator Oneal as a delegate to the Second Interstate Assembly as authorized by S. R. No. 40.

Request For Executive Session.

Senator Oneal, Chairman of the Committee on Governor's Nominations, asked unanimous consent that an executive session be ordered for 10:10 o'clock a. m., today to consider Governor's nominations.

Unanimous consent was granted.

Executive Session.

At 10:10 o'clock the Chair announced that the time for executive session had arrived. The chamber was cleared and the doors locked.

After Executive Session.

The Secretary of the Senate informed the Journal Clerk that following action had been taken in executive session.

Committee Room,

Austin, Texas, Feb. 20, 1935.

Hon. Walter F. Woodul, President of the Senate.

Sir: We, your Committee on Governor's Nominations, recommend that the Governor's message with reference to the appointment of Mrs. W. R. Potter of Bowie, Montague County, as a member on the Board

of Directors of Texas Technological College, to succeed R. A. Stuart of Fort Worth, be referred back to the Governor for an explanation as to the date of February 19, 1936 and later the date of February 19, 1935, appearing in the message.

ONEAL, Chairman.

Adopted.

Committee Room,

Austin, Texas, Feb. 20, 1935.

Hon. Walter F. Woodul, President of the Senate.

Sir: We, your Committee on Governor's Nominations, to whom was referred the following appointments, have had same under consideration, and I, as chairman of said committee, am instructed to report same back to the Senate with the recommendation that they be in all things confirmed:

To be member of the Board of Regents of The University of Texas:

Dr. Edward Randell, of Galveston County, (reappointment).

To be Public Weigher for the City of Houston:

L. P. Claussen, of Harris County.

Compensation Claim Board:

Penrose Metcalfe, of Tom Green County, to succeed Fred W. Davis, as chairman; Wm. A. Wilson of Dawson County, and Ed Legge, of Kaufman County, to be members.

ONEAL, Chairman.

Adopted.

Senate Bill No. 329.

By Senator Van Zandt, by request:

S. B. No. 329. A bill to be entitled "An Act to promote the production of better eggs in the State of Texas by regulating the traffic in eggs; to prevent fraud and misrepresentation in dealing in eggs; to prevent the sale of eggs for human consumption which are unfit for human food; to require eggs to be candled; and require a license for dealers in eggs; and providing exceptions thereto; to require eggs to be bought and sold on grades; and providing exceptions thereto; to create a State Egg Board and defining its duties, and providing that the State Egg Board shall prescribe all necessary rules and regulations governing the licensing of dealers and egg candlers; to establish grades and standards for eggs; prescribe the qualifications of inspectors employed under this Act; providing that the

Commissioner of Agriculture of Texas employ such aid necessary for the proper and orderly enforcement of this Act; and to fix penalties for the violation of the provisions of this Act; and declaring an emergency."

Read and referred to the Committee on Agriculture.

Message From the House.

The Chair recognized the Doorkeeper, who introduced a messenger from the House with the following message:

Hall of the House of Representatives,
Austin, Texas, Feb. 21, 1935.

Hon. Walter F. Woodul, President of the Senate.

Sir: I am directed by the House to inform the Senate that the House has passed the following bill and resolutions:

S. B. No. 27. A bill to be entitled "An Act making an appropriation of one thousand (\$1000.00) dollars to be used by the Commissioner of the General Land Office for binding and repairing records and documents of the General Land Office; and declaring an emergency."

H. C. R. No. 38, Providing for a joint session of the House and Senate at 11 o'clock, February 21, 1935, for the purpose of hearing an address by his Excellency, the Hon. James V. Allred, Governor of Texas.

H. C. R. No. 32, Granting permission to Walter N. Moncure to sue the State of Texas for personal damages.

The House has concurred in Senate amendments to H. C. R. No. 28 by a viva voce vote.

Respectfully submitted,

LOUISE SNOW PHINNEY,
Chief Clerk, House of Representatives.

H. C. R. No. 38.

The Chair laid before the Senate:

H. C. R. No. 38, "Providing for a joint session of the House and Senate at 11 o'clock, February 21, 1935, for the purpose of hearing an address by his Excellency, the Honorable James V. Allred, Governor of Texas."

Senator Moore moved that the Senate rule requiring resolutions to be referred to a committee be suspended, and that H. C. R. No. 38 be taken up and considered at this time.

The motion prevailed by viva voce vote on motion of Senator Moore.

H. C. R. No. 38 was adopted by viva voce vote.

Senate Bill No. 330.

By Senators Davis, Pace, Stone and Cotten:

S. B. No. 330, A bill to be entitled "An Act to amend Article 2350, Title 44, Revised Civil Statutes of the State of Texas, 1925, as amended by the Acts of the Thirty-ninth Legislature, Regular Session, Chapter 135, Section 1; and as amended by Act of the Fortieth Legislature, page 435, Chapter 290, Section 1; and as amended by Act of the Fortieth Legislature, First Called Session, page 138, Chapter 46, Section 1; and as amended by Act of the Forty-third Legislature, Regular Session, Chapter 216; and as amended by Act of the Forty-third Legislature, First Called Session, Chapter 83, page 220; and so as to provide the salaries of county commissioners in certain counties; providing that if any part of this Act be declared unconstitutional it shall not affect any remaining part; and declaring an emergency."

Read and referred to the Committee on Counties and County Boundaries.

Senate Bill No. 331.

By Senator Davis:

S. B. No. 331, A bill to be entitled "An Act amending Chapter 6 of Title 11, Penal Code of Texas, 1925, by adding thereto Articles 649a, 649b and 649c, so as to increase the State's penalties and remedies against telegraph and telephone companies for aiding or assisting in pool selling or book-making schemes or in placing bets on horse races, and prescribing additional penalties and remedies against owners, agents or lessees of property permitted to be used as a place for selling pools or book-making or wagering on horse races; amending Article 650 of the Penal Code so as to increase the penalties for violations of the laws prohibiting betting or wagering on horse races and pool selling or book-making; and declaring an emergency."

Read and referred to the Committee on Criminal Jurisprudence.

House Bill No. 403.

The Chair laid before the Senate as special order H. B. No. 403.

Senator Small discussed his proposed amendment to H. B. No. 403. Pending.

Joint Session.

Senator Moore called the attention of the Chair, that the hour set for a joint session of the House and Senate to hear an address by Governor James V. Allred, had arrived.

In the House.

In accordance with a resolution heretofore adopted providing for a joint session of the House and Senate at 11 o'clock today, the Senate appeared at the Bar of the House and being admitted were escorted to seats prepared for them along the aisle.

Lieutenant Governor Walter F. Woodul occupied a seat on the Speaker's stand.

The Speaker of the House, Hon. Coke Stevenson, presented Governor Allred to the members of the House and Senate.

Governor Allred delivered the following message to the Forty-fourth Legislature:

Railroad Commission of Texas.

Austin, Texas, Feb. 21, 1935.

Hon. James V. Allred, Governor of the State of Texas.

Dear Governor Allred:

The Railroad Commission in session today carefully examined and studied every provision contained in the proposed interstate compact entered into by the representatives of the oil producing states to conserve oil and gas.

We find that, in our opinion, the compact thoroughly protects the rights of the State of Texas and that it in effect carries out the conservation policy of the State of Texas. Every rule and definition set out in the compact is already in effect in the State of Texas under the Statutes of our State or in the rules and regulations of the Railroad Commission passed pursuant to those Statutes, except Section C, Art. 3.

Section C, Article 3, relates to the avoidable escape into the open air, and the wasteful burning, of gas from a natural gas well. In connec-

tion with this particular matter and with particular reference to such permits as have been issued by the Railroad Commission, under the special conservation clause in Article 6008 of our Statutes at places other than the Panhandle of Texas, we beg to state that the commission has already held public hearings, at which time the interested parties after due notice, were cited to appear and show cause why such permits to strip gas from natural gas and popping the tail gas into the air should not be canceled.

It is our sincere hope that the Legislature of Texas may see fit to promptly ratify this splendid compact in which eight other oil producing States have joined Texas to the end of further conservation of our natural resources by the prevention of physical waste and to the further end that Texas may proudly continue to lead the way in conservation and that these nine states may be banded together with us in the fight we have been waging against the undue encroachment of Federal power upon the rights of the respective states.

Yours truly,

(Signed)

ERNEST O. THOMPSON,
Chairman.

(Signed)

C. V. TERRELL,

(Signed)

LON A. SMITH.
Commissioners.

Executive Office,

Austin, Texas, Feb. 21, 1935.

To the Forty-fourth Legislature.

Your attention is respectfully directed to the necessity for immediate attention to the enormous physical waste of natural gas in Texas fields. It is reliably reported that in excess of a billion cubic feet of natural gas is daily wasted by being "blown into the air" in what is commonly known as the Panhandle Field. It is also common knowledge that hundreds of millions of cubic feet of natural gas are daily being wasted into the air in other fields of the State from gasoline stripping plants, the number of which will shortly multiply unless this wasteful practice is summarily stopped. It is my understanding that this situation has grown out of probably

justifiable liberties taken by producers under what is known as the Sour Gas Bill passed by the Regular Session of the Forty-third Legislature.

It is my conception that natural gas stripping for the purpose of extracting natural gasoline, as such, is both a worthy and profitable industry. The waste of which I speak principally occurs after this operation. The return of dry or stripped gas to the producing strata of gas or oil fields in a manner to save or use it beneficially is a worthy operation; as also is the use of this stripped gas for other beneficial purposes such as light, fuel or manufacture. But blowing of this product into the open air—as also is the blowing of any natural gas into the open air beyond practical limitations required incident to the production of oil—is intolerable under sound conservation policy. The gigantic physical waste of natural gas in Texas has attracted the attention of the citizenship of both this State and the nation. This waste must be stopped.

The cause of this tragical condition is embodied in two evils. Primarily it is the fault of the gas pipe lines which in most instances own gas productive capacity sufficient for their own requirements. These pipe lines have refused to adopt a policy of ratable purchase in the fields, leaving some operators, principally the smaller ones, without a market. The other is the practice of these small producers, who, without the privilege to share in withdrawals, have been compelled to turn to the wasteful practice of stripping the natural gasoline therefrom for profit and turning the stripped gas into the open air. These pipe lines, selfishly refusing to purchase gas ratable from the pools, it being more profitable to produce their own requirements, have left small independent producers with no outlet.

It is a fact well known that the Standard Oil Company of New Jersey, the Cities Service Company and other big corporations led the parade for oil proration in the oil fields. It is also well known that these corporations, through affiliated companies, and otherwise, control these gas pipe line outlets. It is most significant that these corporations, which inspired and perfected oil proration

in Texas, have strenuously resisted gas proration for the sole reason that the advantage of their position as to gas rendered it unnecessary to prorate. The gas producer, unlike the oil producer, cannot ship natural gas to market by tank car or truck, nor can he store it.

It is difficult to understand how, in view of this gross inconsistency, the executives of these great corporations can pursue such policies without reflecting upon the intelligence of the people of Texas. The history of these combines, however, is sufficient to leave no room for shock in the minds of those conversant therewith. These corporations in many instances financed their pipe lines to Chicago, St. Louis, Denver and elsewhere upon the representation of ownership of gas reserves in Texas inclusive of lands they did not fully own. Upon this representation they sold their securities to investors. Their purpose was and is to drain from the gas lands both within and without their ownership the requirements of natural gas for these lines, thus doing great and irreparable injury to thousands of land owners and small producers in this State by disallowing the benefits of ratable purchase and withdrawal from the pools.

As a result of this policy the small producer, being unable to enforce ratable purchase of gas in the fields under our statutes, having lost in court, have been compelled in self-defense to turn to the wasteful practice of blowing stripped or dry gas into the open air after stripping, thus utilizing only the liquid gasoline recovered therefrom.

A sound public policy demands that this atrocious waste be stopped and that our gas resources be conserved for useful purposes for the present and future generations.

The remedy for this condition lies in the enactment of appropriate legislation to remove the causes therefor. This can and should be done within the bounds of constitutional authority.

I respectfully recommend the passage of appropriate legislation to correct these evils and, at the same time, to insure to producers and landowners their ratable share of gas withdrawals from the fields. I particularly recommend the following:

First: Enactment of legislation

to effectuate gas conservation and the elimination of physical waste thereof within such reasonable limitations as may be found necessary to protect the program of oil production.

Second: An adequate provision to provide for ratable withdrawal of gas from gas wells in the fields.

Third: Proper limitations upon the right to produce natural gas from gas wells so as to compel producers, handlers and transporters of natural gas to apportion withdrawals from all gas wells in each field ratably under the supervision of the Railroad Commission.

Fourth: Adequate power and latitude of fact finding and regulatory rules should be given to the Railroad Commission to properly supervise the restriction of production of natural gas in the gas fields, to prevent waste thereof, and to restrict the right to produce natural gas so as to impose ratable withdrawal of gas from the wells in each field.

Fifth: It is my opinion and I respectfully submit that the statute should be so drawn as not to award a preferred position to those few giant carriers who virtually hold a monopoly upon the markets for light and fuel. Instead I recommend that no limitation be put upon the uses of natural gas beyond beneficial use.

Some proper uses may be of small economic value. But their recognition under the law is indispensable to competitive industry that insures the best effect for the benefit of land and well owners in the matter of market price realized. For example I refer to the use of natural gas for the manufacture of carbon black, a highly useful commodity. Carbon black is used for the manufacture of paints, printers ink, automobile tires and numerous other articles of commerce. Experience has shown that gas purchasers have frequently raised gas prices in the fields for the singular purpose of discouraging this and other minor uses. This logical and beneficial price check will always be of paramount importance and value to land and well owners in the gas fields of Texas.

Sixth: The divorcement of pipe lines from the producing, manufacturing and marketing branches of the natural gas industry is essential to the remedy. Pipe lines constitute

the exclusive outlets from these gas fields. In the past while their affiliated brethren have preached and secured oil proration, these gas pipe lines companies have successfully resisted gas proration in the courts on the ground that they are not purchasers at all but only users of their own production.

I believe it is essential, and I therefore recommend, that appropriate legislation be enacted to limit the scope of business ownership of corporations in this industry as the proper means to effectuate gas conservation regulation. To insure effectiveness of this regulation, it will be necessary to include a prohibition against interlocking ownership of units in these several branches of the industry by holding companies.

I respectfully call your attention to possible pitfalls in some of the bills that are now before the Legislature dealing with this subject.

Some sponsors have suggested that proposed legislation may disregard vested rights under the "theory of capture," upon which our property law is based. This step is believed by me to be dangerous under our constitution and property law. Its inclusion might serve to destroy the effectiveness of the statute. I believe the statute can be so drawn as to respect these vested rights and accomplish insurance against downfall under constitutional limitations.

Others have suggested the policy of price fixing. This, also, is off the charted course and presents a serious constitutional question. It is also significant that price fixing in the statute might bring us face to face with the question of federal control of this natural resource, a situation wholly repugnant to the interest of the State in the exclusive exercise of its right to handle its own internal problems. It is also important that if by reason of the State's adoption of such a policy, natural gas production should be declared interstate commerce and subject to exclusive Federal control, then the State of Texas might thereby be forever precluded from its own inherent right to levy taxes upon this resource because of the constitutional prohibition against placing a burden on interstate commerce.

We are, of course, intensely interested in a market and a fair

market price for natural gas at the wells, not only in the interest of the State but as well for land and well owners. This condition can and should be improved by the finding of additional markets for natural gas from new industry at home, as well as through new pipe line outlets to industrial centers that now suffer great shortage of fuel gas supply at prices easily within the limits of economic profit. Inquiries I have made conclusively show that Detroit, St. Louis, and other large industrial cities are greatly interested and desirous of cooperating fully in any program to bring to their gates additional supplies of fuel gas. The National Administration has indicated a profound interest and willingness to render active aid to such a program. It is both reasonable and plausible that by State aid and authorization, without cost to the citizenship, a program can be inaugurated by the gas producers, with available Federal aid that will establish these market outlets. At a later date I shall have a specific recommendation to make in this connection.

If we expect to preserve the right of Texas exclusively to control this problem, it devolves upon the Legislature to enact appropriate legislation that will not jeopardize the exclusive right of Texas to continue an effective conservation policy for the protection of this great and bountiful resource against the ravages of unnecessary waste. To insure effectiveness and avoid costly delay, if we are not to risk the right and heritage of our citizenship to control this problem ourselves and secure for the citizenship of Texas the inherent benefits of this great natural resource, this regulation must be propagated within constitutional bounds.

I am mindful that this subject is before your honorable body and that patriotic members have already given much toil and study to the problem. These comments are made in a spirit of helpfulness in view of the emergency that demands the speediest possible action. I therefore earnestly commend this matter as an emergency for your earliest consideration.

Respectfully submitted,
JAMES V. ALLRED,
Governor of Texas.

Executive Office,
Austin, Texas, Feb. 21, 1935.
To the Forty-fourth Legislature:

I submit to you for emergency consideration the following matter:

Pursuant to the provisions of H. C. R. No. 26, adopted on February 1, 1935, I attended a conference of the governors and their representatives from the oil producing states held at Dallas, Texas, on February 15th and 16th for the purpose of discussing, formulating and recommending a form of compact between said states to accomplish the conservation of petroleum and natural gas and the prevention of physical waste of these natural resources.

I have the honor to report that as a result of said conference a compact was entered into, duly signed by the Governors of the States of Oklahoma and Texas and by representatives of the Governors of California, New Mexico, Arkansas, Colorado, Illinois, Michigan and Kansas; such compact subject of course to the approval of the law making body of each of said states. The compact as entered into reads as follows:

An Interstate Compact to Conserve Oil and Gas.

Article I.

"This agreement may become effective within any compacting state at any time as prescribed by that state and shall become effective within those states ratifying it whenever any three of the States of Texas, Oklahoma, California, Kansas and New Mexico have ratified and Congress has given its consent. Any oil-producing state may become a party hereto as hereinafter provided.

Article II.

"The purpose of this compact is to conserve oil and gas by the prevention of physical waste thereof from any cause.

Article III.

"Each state bound hereby agrees that within a reasonable time it will enact laws, or if laws have been enacted, then it agrees to continue the same in force, to accomplish within reasonable limits the prevention of:

"(a) The operation of any oil well with an inefficient gas-oil ratio.

"(b) The drowning with water of any stratum capable of producing oil or gas, or both oil and gas in paying quantities.

"(c) The avoidable escape into the open air or the wasteful burning of gas from a natural gas well.

"(d) The creation of unnecessary fire hazards.

"(e) The drilling, equipping, locating, spacing or operating of a well or wells so as to bring about physical waste of oil or gas or loss in the ultimate recovery thereof.

"(f) The inefficient, excessive or improper use of the reservoir energy in producing any well.

"The enumeration of the foregoing subjects shall not limit the scope of the authority of any state.

Article IV.

"Each state bound hereby agrees that it will, within a reasonable time, enact statutes, or if such statutes have been enacted then that it will continue the same in force, providing in effect that oil produced in violation of its valid oil and/or gas conservation statutes or any valid rule, order or regulation promulgated thereunder, shall be denied access to commerce; and providing for stringent penalties for the waste of either oil or gas.

Article V.

"It is not the purpose of this compact to authorize the states joining herein to limit the production of oil or gas for the purpose of stabilizing or fixing the price thereof, or create or perpetuate monopoly, or to promote regimentation, but is limited to the purpose of conserving oil and gas and preventing the avoidable waste thereof within reasonable limitations.

Article VI.

"Each State joining herein shall appoint one representative to a commission hereby constituted and designated as The Interstate Oil Compact Commission, the duty of which said commission shall be to make inquiry and ascertain from time to time such methods, practices, circumstances and conditions as may be disclosed for bringing about conservation and the prevention of physical waste of oil and gas, and at such intervals as said commission deems beneficial it shall report its findings

and recommendations to the several states for adoption or rejection. The commission shall have power to recommend the coordination of the exercises of the police powers of the several states within their several jurisdictions to promote the maximum ultimate recovery from the petroleum reserves of said states, and to recommend for the maximum ultimate recovery of oil and gas. Said commission shall organize and adopt suitable rules and regulations for the conduct of its business.

"No action shall be taken by the commission except: (1) by the affirmative votes of the majority of the whole number of the compacting states, represented at any meeting and (2) by a concurring vote of a majority in interest of the compacting states at said meeting, such interest to be determined as follows: such vote of each states shall be in the decimal proportion fixed by the ratio of its daily average production during the preceding calendar half-year to the daily average production of the compacting states during said period.

Article VII.

"No state by joining herein shall become financially obligated to any other state, nor shall the breach of the terms hereof by any state subject such state to financial responsibility to the other states joining herein.

Article VIII.

"This compact shall expire September 1, 1937. But any state joining herein may, upon sixty (60) days notice, withdraw herefrom.

"The representatives of the signatory States have signed this agreement in a single original which shall be deposited in the archives of the Department of State of the United States, and a duly certified copy shall be forwarded to the Governor of each of the signatory States.

"This compact shall become effective when ratified and approved as provided in Article I. Any oil producing state may become a party hereto by affixing its signature to a counterpart to be similarly deposited, certified, and ratified.

"Done in the City of Dallas,

Texas, this sixteenth day of February, 1935.

"E. W. MARLAND,
The Governor of Oklahoma.

JAMES V. ALLRED,
The Governor of Texas.

R. L. PATTERSON,
For the State of California.

FRANK VESELY,
E. H. WELLS,
HUGH BURCH,
HIRAM M. DOW,
For the State of New Mexico.

"The following representatives recommend to their respective governors and legislatures the ratification of the foregoing agreement:

"John W. Olvey of Arkansas.

Warwick M. Downing of Colorado.

William Bell of Illinois.

Gordon F. Van Eeneam, Gerald Cotter, of Michigan.

Ralph J. Pryor, E. B. Showyer, T. C. Johnson of Kansas."

It is apparent from the provisions of said compact that it will be of great benefit in "the conservation of petroleum and natural gas and the prevention of physical waste of these natural resources." I direct your attention to the fact that in keeping with the provisions of H. C. R. 26 said compact is designed to prevent the waste of our natural resources "without price fixing, the creation or perpetuation of monopoly or regimentation."

Since legislation is now pending and proposed before the Congress of the United States dealing with the oil industry and the natural resources of the oil producing states, which pending and proposed national legislation will naturally be influenced to some extent by the action of the states, I respectfully urge that this compact be approved by the Legislature of Texas at the earliest opportunity. I should like to see Texas the first state to ratify the compact.

Respectfully submitted,
JAMES V. ALLRED,
Governor of Texas.

Called to Order.

The Senate returned to the Senate Chamber at 11:35 o'clock a. m., and was called to order by the Lieutenant Governor Walter F. Woodul.

Senate Resolution No. 50.

Senator Redditt sent up the following resolution:

Whereas, Mrs. I. D. Fairchild, of Lufkin, Texas, the wife of a former distinguished State Senator, Honorable I. D. Fairchild, is visiting in Austin, Texas; and

Whereas, Mrs. E. D. Fairchild is now a member of the Board of Regents of the University of Texas: be it therefore,

Resolved, That Mrs. I. D. Fairchild be extended the privilege of the floor during her visit in Austin, Texas, and that Mrs. Fairchild be invited to address the Senate.

REDDITT.

S. R. No. 50 was read and unanimously adopted.

The Chair appointed Senators Redditt, Holbrook and Pace to escort the distinguished visitor to the platform.

The Lieutenant Governor introduced Senator Holbrook, who in turn presented Mrs. Fairchild, who spoke briefly to the Senate.

House Bill No. 403.

Recurring business was H. B. No. 403.

Pending.

Bill Signed.

The Chair, Lieutenant Governor Walter F. Woodul, gave notice of signing, and did sign, in the presence of the Senate, after its caption had been read, the following bill:

S. B. No. 27.

Message From the Governor.

The Chair recognized the Doorkeeper, who introduced a messenger from the Governor with the following message:

Executive Office,

Austin, Texas, Feb. 21, 1935.

To the Senate of the Forty-fourth Legislature:

I respectfully submit for the advice and consent of the Senate the following appointments:

To membership on the Board of Directors of Texas Technological College:

To succeed R. A. Stuart, of Fort

Worth, Texas, for six year term beginning February 19, 1935, Mrs. W. R. Potter of Bowie, Montague County, Texas.

To membership on Board of Mansion Supervisors:

Miss Ima Hogg, Houston, Harris County, Texas.

Mrs. R. S. Sterling, Houston, Harris County, Texas.

Respectfully submitted,

JAMES V. ALLRED,

Governor of Texas.

Read and referred to the Committee on Governor's Nominations.

Motion to Adjourn.

Senator Hill, at 11:50 o'clock a. m., moved that the Senate adjourn until Monday morning at 10 o'clock.

Point of Order.

Senator Hornsby raised the point of order that the time of adjournment was longer than allowed in the Rules of the Senate.

The Chair overruled the point of order.

Senator DeBerry, as a substitute, moved that the Senate adjourn until Friday morning at 10 o'clock a. m.

The motion by Senator Hill prevailed by the following vote:

Yeas—14.

Blackert.	Rawlings.
Cotten.	Sanderford.
Hill.	Shivers.
Holbrook.	Stone.
Hopkins.	Sulak.
Martin.	Van Zandt.
Moore.	Westerfeld.

Yeas—12.

Beck.	Hughston.
Burns.	Neal.
Davis.	Oneal.
DeBerry.	Pace.
Duggan.	Redditt.
Hornsby.	Small.

Absent.

Collie.	Woodruff.
Poage.	

Absent—Excused.

Fellbaum.	Regan.
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APPENDIX.**Committee on Enrolled Bills.**

Committee Room,
Austin, Texas, Feb. 21, 1935.
Hon. Walter F. Woodul, President of
the Senate.

Sir: We, your Committee on Enrolled Bills, have had S. B. No. 27 carefully examined and compared and find same correctly enrolled.

POAGE, Chairman.

Committee Room,
Austin, Texas, Feb. 20, 1935.
Hon. Walter F. Woodul, President of
the Senate.

Sir: We, your Committee on Enrolled Bills, have had S. C. R. No. 10 carefully examined and compared and find same correctly enrolled.

POAGE, Chairman.

Committee Room,
Austin, Texas, Feb. 20, 1935.
Hon. Walter F. Woodul, President of
the Senate.

Sir: We, your Committee on Enrolled Bills, have had S. C. R. No. 17 carefully examined and compared and find same correctly enrolled.

POAGE, Chairman.

Committee Room,
Austin, Texas, Feb. 20, 1935.
Hon. Walter F. Woodul, President of
the Senate.

Sir: We, your Committee on Enrolled Bills, have had S. C. R. No. 6 carefully examined and compared and find same correctly enrolled.

POAGE, Chairman.

Committee Reports.

Committee Room,
Austin, Texas, Feb. 20, 1935.
Hon. Walter F. Woodul, President of
the Senate.

Sir: We, your Committee on Highways and Motor Traffic, to whom was referred

S. B. No. 265, A bill to be entitled "An Act defining the term 'transportation agent'; providing certain exceptions; regulating the business of transportation agents; prescribing the duties of the Railroad Commission with relation to transportation agents; providing for the issuance of licenses and the manner of such issuance; etc., and declaring an emergency."

Have had the same under consideration, and I am instructed to

report it back to the Senate with the recommendation that it do pass with committee amendment, and be printed.

HOPKINS, Chairman.

Committee Amendment.

Amend S. B. No. 265 by adding after the word "transportation" in line 4, Section 1, the words "of persons."

Committee Room,
Austin, Texas, Feb. 20, 1935.
Hon. Walter F. Woodul, President of
the Senate.

Sir: We, your Committee on Highways and Motor Traffic, to whom was referred

S. B. No. 143, A bill to be entitled "An Act prohibiting any owner or person having control of any horse, mule, donkey, cow, bull, steer, hog, sheep, goat or any other livestock from permitting or allowing the same to traverse or roam at large upon the right of way of any designated State highway of this State, where same is enclosed by fences, unattended, providing a penalty and declaring an emergency."

Have had the same under consideration, and I am instructed to report it back to the Senate with the recommendation that it do pass, and be printed.

HOPKINS, Chairman.

Committee Room,
Austin, Texas, Feb. 20, 1935.
Hon. Walter F. Woodul, President of
the Senate.

Sir: We, your Committee on Highways and Motor Traffic, to whom was referred

S. B. No. 5, A bill to be entitled "An Act relating to the licensing of motor vehicle operators and to the liability of certain persons for negligence in the operation of motor vehicles on the public highways, providing for issuance of licenses, revocation of operator's and chauffeur's licenses under certain conditions, forbidding driving by persons without licenses, providing penalties, defining terms and providing for certain exemptions, enacting other provisions necessary and incidental to the subject of the Act, and declaring an emergency."

Have had the same under consideration, and I am instructed to report it back to the Senate with

the recommendation that it do pass, and be printed.

HOPKINS, Chairman.

Committee Room,
Austin, Texas, Feb. 20, 1935.
Hon. Walter F. Woodul, President of the Senate.

Sir: We, your Committee on Highways and Motor Traffic, to whom was referred

S. B. No. 153, A bill to be entitled "An Act relating to checks or drafts returned unpaid when given the tax collectors or the assessors and collectors of taxes in payment of the registration license fees and number plates on any motor vehicle, truck, tractor, trailer, motorcycle or motorcycle side car; prescribing the duties of the tax collector or assessor and collector of taxes under such circumstances; etc., and declaring an emergency."

Have had the same under consideration, and I am instructed to report it back to the Senate with the recommendation that it do pass with committee amendment, and be printed.

HOPKINS, Chairman.

Committee Amendment.

Amend S. B. No. 153 by striking out the word "notify" in line 12, Section 1, page 1, and inserting in lieu thereof the words "certify under his official seal accompanied by said check."

Committee Room,
Austin, Texas, Feb. 21, 1935.
Hon. Walter F. Woodul, President of the Senate.

Sir: We, your Committee on Criminal Jurisprudence, to whom was referred

S. B. No. 21, A bill to be entitled "An Act amending Article 658 of the Code of Criminal Procedure of the State of Texas, 1925, and declaring an emergency."

Have had the same under consideration, and I am instructed to report it back to the Senate with the recommendation that it do pass and be printed.

STONE, Chairman.

Committee Room,
Austin, Texas, Feb. 21, 1935.
Hon. Walter F. Woodul, President of the Senate.

Sir: We, your Committee on Criminal Jurisprudence, to whom was referred

S. B. No. 22, A bill to be entitled "An Act amending Article 659 of the Code of Criminal Procedure of the State of Texas, 1925, and declaring an emergency."

Have had the same under consideration, and I am instructed to report it back to the Senate with the recommendation that it do pass and be printed.

STONE, Chairman.

Committee Report,
Austin, Texas, Feb. 21, 1935.
Hon. Walter F. Woodul, President of the Senate.

Sir: We, your Committee on Criminal Jurisprudence, to whom was referred

S. B. No. 23, A bill to be entitled "An Act amending Article 666 of the Code of Criminal Procedure of the State of Texas, 1925, and declaring an emergency."

Have had the same under consideration, and I am instructed to report it back to the Senate with the recommendation that it do pass and be printed.

STONE, Chairman.

Committee Room,
Austin, Texas, Feb. 21, 1935.
Hon. Walter F. Woodul, President of the Senate.

Sir: We, your Committee on Criminal Jurisprudence, to whom was referred

S. B. No. 24, A bill to be entitled "An Act amending Article 23 of the Code of Criminal Procedure of the State of Texas, 1925, and declaring an emergency."

Have had the same under consideration, and I am instructed to report it back to the Senate with the recommendation that it do pass and be printed.

STONE, Chairman.

Committee Room,
Austin, Texas, Feb. 21, 1935.
Hon. Walter F. Woodul, President of the Senate.

Sir: We, your Committee on Criminal Jurisprudence, to whom was referred

S. B. No. 51, A bill to be entitled "An Act amending Article 815 of the Code of Criminal Procedure of the State of Texas, and declaring an emergency."

Have had the same under consideration, and I am instructed to report it back to the Senate with the recommendation that it do pass and be printed.

STONE, Chairman.

Committee Room,

Austin, Texas, Feb. 21, 1935.

Hon. Walter F. Woodul, President of the Senate.

Sir: We, your Committee on Criminal Jurisprudence, to whom was referred

S. B. No. 52, A bill to be entitled "An Act amending Article 590 of the Code of Criminal Procedure of the State of Texas, and declaring an emergency."

Have had the same under consideration, and I am instructed to report it back to the Senate with the recommendation that it do pass and be printed.

STONE, Chairman.

Committee Room,

Austin, Texas, Feb. 21, 1935.

Hon. Walter F. Woodul, President of the Senate.

Sir: We, your Committee on Criminal Jurisprudence, to whom was referred

S. B. No. 20, A bill to be entitled "An Act amending Article 677 of the Code of Criminal Procedure of the State of Texas, and declaring an emergency."

Have had the same under consideration, and I am instructed to report it back to the Senate with the recommendation that it do pass and be printed.

STONE, Chairman.

Committee Room,

Austin, Texas, Feb. 21, 1935.

Hon. Walter F. Woodul, President of the Senate.

Sir: We, your Committee on Criminal Jurisprudence, to whom was referred

S. B. No. 286, A bill to be entitled "An Act amending Articles 793 and 920 of the Code of Criminal Procedure of the State of Texas, Revision of 1925, and declaring an emergency."

Have had the same under consideration, and I am instructed to report it back to the Senate with the recommendation that it do pass and be not printed.

STONE, Chairman.

Committee Room,

Austin, Texas, Feb. 20, 1935.

Hon. Walter F. Woodul, President of the Senate.

Sir: We, your Committee on Highways and Motor Traffic, to whom was referred

S. B. No. 77, A bill to be entitled "An Act to amend Section 6, paragraph (d) of Article 911b of the Revised Civil Statutes of the State of Texas, the same being Section 6, paragraph (d) of Chapter 277, Acts of the Regular Session of the Forty-second Legislature, 1931, as amended by the Forty-third Legislature, 1933, so as to include used office furniture and used store fixtures, and declaring an emergency."

Have had the same under consideration, and I am instructed to report it back to the Senate with the recommendation that it do pass with committee amendments and be printed.

HOPKINS, Chairman.

Committee Amendment No. 1.

Amend Section 1 of S. B. No. 77 by adding immediately after the words "traveling public" and preceding the word "provided" the following:

"Provided, according as to whether the nature of the service proposed to be rendered by the applicant shall be that of a common carrier or a contract carrier the commission shall require said applicant to assume substantially the same burdens as required by the other provisions of this Act of common or contract carriers."

Committee Amendment No. 2.

Amend S. B. No. 77 by adding thereto another Section to be known as Section 2, to read as follows:

"The fact that the omission of the words 'used office furniture and used store fixtures' from the present statute has resulted in much confusion and inconvenience to warehousemen, and others desiring to move household effects, creates an emergency and an imperative public necessity that the constitutional rule requiring bills to be read in each house on three several days, and the constitutional rule requiring bills to take effect and go into force ninety days after adjournment of the session, be suspended, and said rules are hereby

suspended, and this Act shall take effect and be in force from and after its passage, and it is so enacted."

Committee Amendment No. 3.

Amend S. B. No. 77 by adding to the caption the following words: "and declaring an emergency."

Committee Room,
Austin, Texas, Feb. 21, 1935.
Hon. Walter F. Woodul, President of the Senate.

Sir: We, your Committee on Criminal Jurisprudence, to whom was referred

S. B. No. 53, A bill to be entitled "An Act amending Article 693 of the Code of Criminal Procedure of the State of Texas, and declaring an emergency."

Have had the same under consideration, and I am instructed to report it back to the Senate with the recommendation that it do pass, and be printed.

STONE, Chairman.

Committee Room,
Austin, Texas, Feb. 21, 1935.
Hon. Walter F. Woodul, President of the Senate.

Sir: We, your Committee on Criminal Jurisprudence, to whom was referred

S. B. No. 159, A bill to be entitled "An Act providing all persons, firms and corporations who are required to pay a tax to the State shall keep books and records of such business, and open for inspection by the tax collections officials of the State, and providing a penalty for a refusal to permit an inspection by the tax collection officials of such boards and records; and providing that this Act is cumulative of all other existing laws, and declaring an emergency."

Have had the same under consideration, and I am instructed to report it back to the Senate with the recommendation that it do pass, and be printed.

STONE, Chairman,

Committee Room,
Austin, Texas, Feb. 21, 1935.
Hon. Walter F. Woodul, President of the Senate.

Sir: We, your Committee on Criminal Jurisprudence, to whom was referred

S. B. No. 160, A bill to be entitled

"An Act amending Article 650 of the 1925 Penal Code of the State of Texas, and declaring an emergency."

Have had the same under consideration, and I am instructed to report it back to the Senate with the recommendation that it do pass, and be printed.

STONE, Chairman.

Committee Room,
Austin, Texas, Feb. 21, 1935.
Hon. Walter F. Woodul, President of the Senate.

Sir: We, your Committee on Criminal Jurisprudence, to whom was referred

S. B. No. 161, A bill to be entitled "An Act amending Article 5968 of the 1925 Revised Civil Statutes of the State of Texas, and declaring an emergency."

Have had the same under consideration, and I am instructed to report it back to the Senate with the recommendation that it do pass, and be printed.

STONE, Chairman.

Committee Room,
Austin, Texas, Feb. 21, 1935.
Hon. Walter F. Woodul, President of the Senate.

Sir: We, your Committee on Criminal Jurisprudence, to whom was referred

S. B. No. 162, A bill to be entitled "An Act requiring all state officers and employees to make bond payable to the State, etc., and declaring an emergency."

Have had the same under consideration, and I am instructed to report it back to the Senate with the recommendation that it do pass, and be printed.

STONE, Chairman.

Committee Room,
Austin, Texas, Feb. 21, 1935.
Hon. Walter F. Woodul, President of the Senate.

Sir: We, your Committee on Criminal Jurisprudence, to whom was referred

S. B. No. 163, A bill to be entitled "An Act providing for a surety on bail bond to file with the county clerk a sworn inventory setting up certain information concerning his financial responsibility, etc., and declaring an emergency."

Have had the same under consideration, and I am instructed to

report it back to the Senate with the recommendation that it do pass, and be printed.

STONE, Chairman.

Committee Room,

Austin, Texas, Feb. 21, 1935.

Hon. Walter F. Woodul, President of the Senate.

Sir: We, your Committee on Criminal Jurisprudence, to whom was referred

S. B. No. 164, A bill to be entitled "An Act amending Article 5970 of the 1925 Revised Civil Statutes of the State of Texas, and declaring an emergency."

Have had the same under consideration, and I am instructed to report it back to the Senate with the recommendation that it do pass, and be printed.

STONE, Chairman.

Committee Room,

Austin, Texas, Feb. 21, 1935.

Hon. Walter F. Woodul, President of the Senate.

Sir: We, your Committee on Criminal Jurisprudence, to whom was referred

S. B. No. 221, A bill to be entitled "An Act providing that it shall be the duty of the Comptroller of the State of Texas to notify, immediately, and thereafter, when a new Federal census is published by the United States Census Bureau, every fee officer, etc., and declaring an emergency."

Have had the same under consideration, and I am instructed to report it back to the Senate with the recommendation that it do pass, and be printed.

STONE, Chairman.

Committee Room,

Austin, Texas, Feb. 21, 1935.

Hon. Walter F. Woodul, President of the Senate.

Sir: We, your Committee on Criminal Jurisprudence, to whom was referred

S. B. No. 222, A bill to be entitled "An Act providing that it shall be the duty of the county and district attorney to represent the State in all bond forfeiture cases, etc., and declaring an emergency."

Have had the same under consideration, and I am instructed to report it back to the Senate with

the recommendation that it do pass, and be printed.

STONE, Chairman.

Committee Room,

Austin, Texas, Feb. 21, 1935.

Hon. Walter F. Woodul, President of the Senate.

Sir: We, your Committee on Criminal Jurisprudence, to whom was referred

S. B. No. 244, A bill to be entitled "An Act amending Article 710 of the Code of Criminal Procedure of the State of Texas, and declaring an emergency."

Have had the same under consideration, and I am instructed to report it back to the Senate with the recommendation that it do pass, and be printed.

STONE, Chairman.

Committee Room,

Austin, Texas, Feb. 21, 1935.

Hon. Walter F. Woodul, President of the Senate.

Sir: We, your Committee on Criminal Jurisprudence, to whom was referred

S. B. No. 245, A bill to be entitled "An Act requiring defendant after receiving a suspended sentence to make reports to the trial court, etc., and declaring an emergency."

Have had the same under consideration, and I am instructed to report it back to the Senate with the recommendation that it do pass, and be printed.

STONE, Chairman.

Committee Room,

Austin, Texas, Feb. 21, 1935.

Hon. Walter F. Woodul, President of the Senate.

Sir: We, your Committee on Criminal Jurisprudence, to whom was referred

S. B. No. 266, A bill to be entitled "An Act amending Article 793, Chapter 4, Title 9, Code of Criminal Procedure of Texas, 1925, and declaring an emergency."

Have had the same under consideration, and I am instructed to report it back to the Senate with the recommendation that it do pass, and be printed.

STONE, Chairman.

Committee Room,

Austin, Texas, Feb. 21, 1935.

Hon. Walter F. Woodul, President of the Senate.

Sir: We, your Committee on Criminal Jurisprudence, to whom was referred

S. B. No. 307, A bill to be entitled "An Act relating to the procedure in criminal cases where the defense of an alibi is relied upon by the defendant etc., and declaring an emergency."

Have had the same under consideration, and I am instructed to report it back to the Senate with the recommendation that it do pass and be printed.

STONE, Chairman.

Committee Room,

Austin, Texas, Feb. 21, 1935.

Hon. Walter F. Woodul, President of the Senate.

Sir: We, your Committee on Criminal Jurisprudence, to whom was referred

S. B. No. 18, A bill to be entitled "An Act amending Article 710 of the Code of Criminal Procedure of the State of Texas, and declaring an emergency."

Have had the same under consideration, and I am instructed to report it back to the Senate with the recommendation that it do pass and be printed.

STONE, Chairman.

Committee Room,

Austin, Texas, Feb. 21, 1935.

Hon. Walter F. Woodul, President of the Senate.

Sir: We, your Committee on Criminal Jurisprudence, to whom was referred

S. B. No. 19, A bill to be entitled "An Act amending Article 714 of the Code of Criminal Procedure of the State of Texas, 1925, and declaring an emergency."

Have had the same under consideration, and I am instructed to report it back to the Senate with the recommendation that it do pass and be printed.

STONE, Chairman.

PRELIMINARY REPORT AND RECOMMENDATIONS OF THE SENATE TAX PROGRAM COMMITTEE.

To the Governor and the Forty-fourth Legislature:

In accordance with the provisions of Senate Resolution No. 16 passed

by the Fourth Called Session of the Forty-third Legislature, we, the undersigned members of the Legislative Tax Program Committee, hereby submit the following report and recommendation:

Object of The Committee.

This committee had four main objectives:

1. To ascertain and study the present financial condition of the State;

2. To ascertain from what sources our State revenues now come and on what property or business the tax burden falls;

3. To determine who or what now escapes their fair share of the tax burden, inquiring into inequities and inequalities;

4. To determine, if possible, what tax measures will eliminate the said inequities and inequalities and what is needed to meet the present situation.

It was not the purpose or intention of the committee to make a tax survey, but rather to make recommendations and present bills to the Forty-fourth Legislature that will as nearly as possible meet the needs as they exist today.

The committee had in mind first stopping up the leaks in our present system as far as possible; to make needed corrections, and, believing that every person in Texas should bear his or her share of government expenses according to "benefits received" and "ability to pay," to suggest to the House of Representatives such tax raising measures as will spread the base of taxation. If every person and every business contributes their share, the cost of government will not fall too heavily on anyone.

The balancing of the budget is very desirable and yet we realize that that is not absolutely essential during one year. The present large deficits should be reduced gradually until they disappear.

Whether by process of rearranging the component parts of our present tax structure or to undertake its revision actual and accepted equality in taxation cannot be achieved un-

til certain problems, fundamental in character, are first solved; not the least among them, constitutional restrictions and inhibitions which of themselves make equality impossible of accomplishment no matter how earnest the legislative effort.

This committee conceived the idea of inviting the people of Texas to express themselves frankly and forcibly regarding the tax situation. Letters were sent every member of the Legislature earnestly asking cooperation and suggestions. Some five hundred letters were dispatched to various citizens in every section of Texas, representing every profession and trade. Prominent authorities on taxation and various organizations were invited to come in. The press carried these invitations and the people of the State have responded enthusiastically. Approximately one hundred and fifty citizens, paying their own expenses, have appeared before us personally and nearly one thousand letters have been received. These personal suggestions and letters have been carefully studied and arranged into a large chart depicting a splendid cross section of the thought of Texans regarding tax problems.

Realizing that tax raising measures must originate in the House of Representatives, not only did we invite every member of that body to cooperate with us, but selected a committee of five representatives who were urgently invited to sit with this committee and take active part in all of its deliberations. A large number of representatives visited the committee during its hearings and to those who visited us and to those who really accepted the invitation to participate and who rendered great assistance, the committee is very grateful.

Conferences were held with the heads and officials of many State departments having to do with the collection of taxes; the Comptroller, the Secretary of State, the Treasurer, the Tax Commissioner, the State Auditor, and the Attorney General. Many suggestions came from these department heads as to methods of stopping leaks and improving the present laws. From this source a vast amount of information was received and this committee has in every case endeavored to carry out the thoughts so expressed. To these

officials and to the people of Texas in general the committee expresses its appreciation.

COMMITTEE FINDINGS.

The following information is taken from authentic records and evidence adduced before the committee. The effort is to give the facts in every case and not personal opinions of any member of the committee.

State Bonds.

Pages 62 and 63, Annual Report of the Comptroller of Public Accounts, 1933, show that there are outstanding state bonds in the amount of \$4,102,200.00. These bonds are held by the permanent funds of the schools, University, A. and M. College, and eleemosynary institutions. No interest has been paid for many years. This seems to be one of the forgotten obligations of the State.

Relief bonds authorized in 1933, the last of which are now being issued, amount to \$20,000,000.00. It requires approximately \$2,500,000.00 of the General Fund annually to service these bonds. They cannot be paid from ad valorem tax.

Total bonded indebtedness of the State amounts to \$24,102,200.00.

Bonded Indebtedness of Counties, Cities, Schools and Roads.

Page 5, Volume 26, Second Biennial Report, 132, of the State Auditor and Efficiency Expert shows that the bonded indebtedness of all the counties, schools, cities, road districts, etc., in Texas on June 20, 1932, was

Deducting sinking funds amounting to	\$ 758,575,674.00
	49,967,839.00

Leaves a net total for debt purposes of	\$ 708,607,835.00
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The taxes collected for debt purposes to meet payment of interest and principal on local debts amounted to \$53,333,660.00 annually. During the past two years this bonded debt has been reduced \$20,097,237.08, leaving \$730,315-898.36 from which should be deducted the sinking funds on hand, which on June 30, 1933, amounted

to \$45,499,102.02, leaving a net indebtedness of \$684,816,796.34 to which should be added current warrants outstanding estimated by the State Auditor to be \$20,000,000.00.

The Comptroller within the past few days has given us figures showing that this total of local indebtedness amounts to only \$580,764,889.07. We have not had time to reconcile the differences between the State Auditor's figures and the Comptroller's figures. The facts are that the State records regarding such matters are very unsatisfactory and this committee has had prepared and introduced a bill making it really mandatory for the several taxing units to correctly and properly report their indebtedness to the Comptroller annually. This is S. B. No. 166.

Condition of State Funds.

According to report of the Governor to the Forty-fourth Session of the Legislature, the following deficits exist:

General Fund estimated as of August 31, 1935.....	\$ 9,443,822.89
Confederate Pension Fund	5,181,783.83
Available School Fund	703,576.02
Total Deficits	\$ 15,329,182.74

Senator Woodruff of our committee has made a very exhaustive study of Confederate pensions and has compiled some information not heretofore made public. We recommend a careful reading of his treatise on this interesting subject.

CONFEDERATE PENSIONS.

In 1876 when the Constitution of Texas was adopted, Article 3, Section 51, prohibited the Legislature from granting public funds to any individual, association of individuals, etc., except in case of public calamity.

In 1894 an amendment to the Constitution permitted the Legislature to appropriate funds to found a home for indigent and disabled Confederate soldiers and sailors, but restrict their expenditures to \$100,000.00 per year. In 1898 another amendment authorized them to grant aid to indigent and disabled Confederate veterans and their widows in indigent circumstances.

In 1899 when the pension roll was inaugurated it contained 3,673 names. It increased constantly until 1915 when it reached 18,320 and from that time a steady decrease has taken place and in 1934 there were 8,006.

The expenditures the first year for pension purposes amounted to \$137,372.00 and have constantly grown until in 1931 the amount reached \$3,598,828.00, and in 1933 the amount was \$3,242,564.00.

From 1899 to 1912 the pensions were paid out of the General Revenue Fund, but at that time a constitutional amendment permitted the Legislature to levy an ad valorem tax of five cents on the one hundred dollar valuation and the Confederate Pension Fund was created. In 1924 the tax rate was raised from five cents to seven cents.

Legislative Acts of 1925 provided for the Comptroller of Public Accounts to pay to each married indigent veteran \$50.00 per month and to each single indigent veteran and each widow in indigent circumstances \$25.00 per month. An amendment in 1928 provided that the Legislature grant aid to indigent and disabled Confederate veterans under such regulations as the Legislature deemed expedient. In the Acts of 1930, Fifth Called Session, the word "indigent" was omitted and at the present time many on the pension roll do not come under the class "indigent."

In 1930 a small deficit occurred in the Pension Fund due to the gates being opened wide and admitting all veterans and widows almost regardless of age, date of marriage, length of time they had resided in Texas, or their financial condition. The deficit has increased at the rate of a million dollars a year until at present it has reached the five million mark. The receipts in this Fund amount to about Two Million Dollars a year and we, your Tax Program Committee, are of the opinion that some change in policy is inescapable and after careful consideration we offer two possible solutions.

First. The Legislature in 1932 authorized the transfer of Three Million Dollars (\$3,000,000.00) from the Highway Fund to the Pension Fund. The Attorney General held that the money so transferred was a revolving fund. In addition to this Three Million Dollar loan there exists a deficit of Two Million Dollars (\$2,000,000.00). Taking five years as

a period to retire this deficit and to continue to pay to the single veterans \$25.00 per month and the married veterans \$50.00 per month, by paying the widows a maximum of \$20.00 monthly and allowing for a decrease of ten per cent (10%) yearly as the estimated death rate, at the end of five years the deficit would be paid with the exception of the Highway loan. Then by the elimination of another ten per cent (10%) as "non-indigents," the deficit could be retired in about four years. We feel in this respect the letter and the spirit of the Constitution should prevail.

Second. An alternative to the foregoing would be for the Legislature to appropriate out of the General Revenue Fund at this time enough money to put the Pension Fund on a cash basis, with the exception of the Highway loan. It occurs that the situation in which the veterans now find themselves, having to discount their warrants drastically and with economic conditions such as they are, is a calamity little short, if any, of the contemplation of Article 3, Section 51, of our Constitution.

WHO PAYS THE TAXES?

In 1931, according to the bulletin "Financial Statistics of Texas and Local Governments," issued by the U. S. Department of Commerce,

"The total revenues collected for the State of Texas and all subdivisions of the State amounted to \$301,347,779.00 or an average of \$50.71 for each person in the State. Of this amount

\$110,738,248 was for the State.
 48,042,903 for the counties.
 64,333,347 for the cities, towns and villages.
 64,227,786 for the school districts.
 14,005,495 for other civil divisions.

The revenues collected include:

\$145,821,714 general property tax.
 2,781,527 special taxes.
 2,376,796 poll taxes.
 54,833,229 licenses and permits.
 12,705,375 special assessments.
 43,728,576 subventions, donations and pension assessments.
 10,028,141 interest, rents and highway privileges.
 16,947,527 earnings of public service enterprises.

10,709,255 earnings of general departments; and
 1,415,639 fines, forfeits, and escheats.

"Of the \$43,728,576.00 classified as subvention, donations and pension assessments \$12,979,921.00 represents subventions by the Federal Government to the State principally for highways."

Page 4, Volume 26, Second Biennial Report, 1932, of the State Auditor and Efficiency Expert shows that the total amount of taxes collected by local units of government, including the State ad valorem and other taxes administered locally during the previous fiscal period, was \$151,368,084.00. This amount shrunk about \$30,000,000.00 during the next year so that during 1933 the total tax collections amounted to approximately \$120,000,000.00.

Add to the taxes collected by local units above	\$151,368,084.00
Highway license fees	13,073,490.00
Other State taxes collected from all sources as shown in Comptroller's Report	43,529,494.00

Which makes the entire tax burden of the State and all local units of government	\$207,971,068.00
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In 1934 for the first time the \$3,000.00 Homestead Exemption applied and the Auditor reports to us that the State lost approximately \$4,000,000.00 in ad valorem tax from that source that year, the value of the Homestead Exemption being estimated at \$566,022,061.00.

Real Estate Burden.

From figures furnished us by Mr. L. P. Gabbard:

"Of the total property assessed, real estate was 75.3%, chattels 21.8% and intangibles 2.8%.

"The probate records reveal that real estate constitutes 50.6% of property, whereas it constitutes 75.3% of all assessed property. Intangible property which comprises 45.9% of all property passing through probate constitutes about 2.8% of all property assessed. Chattels constitute 3.5% of probated property representing

21.8% of all assessed property. Thus it is seen that tangible forms of property constitute 97.1% of all property assessed."

Real estate's total net income in the United States is \$4,754,000,000.00, and its tax bill is \$4,553,000,000.00, leaving less than 1% of the income earned by the investment. These figures show that real estate, particularly in towns and cities, has become a liability instead of an asset.

Since real estate is the foundation of all wealth—to which we must look for both food and raiment—and since the home is the cornerstone on which

our government rests, we deem it very necessary to correct these conditions.

From the best figures obtainable 30% of the people of Texas own property and therefore pay all of the ad valorem taxes. The 70% remaining who do not own or render property for taxation never darken the door of the tax collector's office unless to pay a poll tax so that they may vote or to pay license fees on an automobile.

Other Tax Sources.

The following figures were given us by the Comptroller's Department for the year ending August 31, 1934:

Crude oil for the year—364,721,615.41 barrels on which tax was paid amounting to	\$7,478,058.12
Tax paid on cement	156,367.59

Gross Receipts Taxes were collected as follows:

Express companies	\$ 49,117.15
Telegraph companies	47,782.37
Utility companies	498,827.72
Collection agencies	2,607.23
Carline companies	2,351.37
Natural gas	188,077.27
Casinghead gas	40,879.10
Textbook publishers	17,880.65
Telephone companies	407,523.75
Sulphur companies	905,952.83
Beginners tax	11,121.88
Pullman companies	32,894.38
Misc. (Off Fee)	484.00

\$2,205,499.70

Delinquent oil tax collected on audits for year	159,577.99
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Total	2,365,077.69
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Grand Total	\$9,999,503.40
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The committee has not had time to check the gross receipts taxes paid by the various companies above. We do not express any opinion as to whether they are fair or not. Attention is directed to the tax collected on natural gas, \$188,077.27—which we believe is entirely too small and which is attempted to be raised by House Bill No. 287, already introduced. The Comptroller's Department thinks that this bill if passed would bring approximately \$1,500,000.00 annually into the Treasury. It will be observed that casinghead gas paid only \$40,879.10.

We do not believe that the same tax should apply to natural gas and casinghead gas. The latter is more in the nature of a conservation measure and there should be a difference in the two although it will require very close study to determine the inequities.

In order that a careful study may be made of the total receipts and disbursements of the State and to get the trend of the same as far as possible, we show this information taken from the Comptroller's reports for the years 1933 and 1934. It is interesting to compare the two.

HOW THE STATE'S DOLLAR WAS OBTAINED

(STATE COMPTROLLER'S STATEMENT)

Source	Year Ended August 31, 1933	Year Ended August 31, 1934
Ad Valorem Tax	\$ 20,559,737.71	\$ 22,187,027.43
Inheritance Tax	583,423.63	590,640.73
Poll Tax	1,031,766.23	1,641,870.46
Gross Receipts Tax	6,638,986.14	8,843,706.35
Insurance Companies Occupation Tax	2,014,408.50	1,959,172.50
Occupation Tax (Other)	126,272.07	59,721.65
Cigarette Stamp Tax	3,167,064.02	4,007,845.82
Fur Tax	14,426.10	15,309.05
Fish and Oyster Tax	13,710.97	7,762.82
Gasoline Tax	26,891,612.68	30,656,059.73
Franchise Tax	1,310,473.40	2,233,716.84
Fire Insurance Comm. Maintenance Tax	173,480.72	139,409.67
Workmen's Compensation Insurance Commission Maintenance Tax	46,914.35	45,913.66
Licenses (Including Automobile)	4,884,030.22	4,879,464.68
Undistributed Receipts from Collectors		598,249.13
Casualty and Auto Fire Maintenance Tax		7,577.15
Beer Stamp Tax		1,073,420.81
Total Taxes and Licenses	\$ 67,456,306.74	\$ 78,946,868.48
 Fees and Permits	 \$ 1,205,602.13	 \$ 2,157,145.38
Land Sales, Rentals and Royalties	2,258,887.67	5,154,035.04
Sale of Commodities and Properties	356,642.64	22,391.67
Court Costs, Fines, and Suit Settlements	187,604.66	198,122.25
Interest and Penalties	3,575,231.00	4,139,946.29
Miscellaneous Revenue	512,287.35	989,467.29
*County, Federal, and Other Aid	*13,993,656.38	*21,388,065.35
 Total Revenue Receipts	 \$ 89,546,218.57	 \$112,996,041.75

HOW THE STATE'S DOLLAR WAS EXPENDED

(STATE COMPTROLLER'S STATEMENT)

Purpose	Year Ended August 31, 1933	Year Ended August 31, 1934
Legislative	\$ 726,200.33	\$ 316,493.15
Judicial	2,364,119.23	2,067,210.11
Executive and Administrative	1,365,156.08	1,433,220.59
Military and Law Enforcement	881,311.05	575,488.95
Regulation of Business and Industry	1,366,423.01	1,108,890.87
Conservation of Health and Sanitation	310,836.26	284,785.89
Development and Conservation of Natu- ral Resources	1,698,826.20	2,028,615.41
Highways	49,589,036.00	44,875,367.01
Eleemosynary and Correctional	5,421,456.31	5,773,696.21
Education: Support of Free Schools	28,848,767.05	35,132,966.87
Higher Education	11,374,824.55	6,329,363.79
Eleemosynary Education	305,663.75	328,446.64
Parks and Monuments	19,789.10	13,051.64
Pensions	3,242,564.15	2,860,725.45
Miscellaneous Governmental Costs	407,477.72	60,332.13
Payment on Public Debt		162,958.00
Relief		10,360,007.23
 Total Cost of Operating State Gov.	 \$107,922,450.79	 \$113,711,619.94

(Note: The large local funds of the higher educational institutions, except part of those of the University of Texas and A. and M. College, do not

pass through the State Comptroller and State Treasurer and are not included in these totals. Also other miscellaneous local funds do not pass through the Comptroller and Treasurer.—Board of Control.)

TAX EVADERS.

Itinerant Merchants.

Evidence introduced before this committee shows that there is still a large number of business firms, individuals, and corporations operating in Texas that pay very little taxes, and some of them none at all. Among such a group is included itinerant merchants. These people usually handling so-called bankrupt stocks of goods move into a community, frequently in the fall of the year, and undersell the legitimate permanent merchants who are required to contribute largely to the maintenance of their local communities. These local merchants who pay taxes and support schools are entitled to protection, and Senate Bill No. 188 has been introduced in an endeavor to meet this need.

Loan Brokers and Finance Companies.

Facts developed before this committee show that the wage earners of America are in debt to the amount of fourteen and one-half billion dollars. Individual cash loans, for necessitous purposes, form a large part of this. 75% of the wage earners qualify as potential customers of loan agencies. In time of

sharp need they turn automatically to available sources of credit. There are established commercial banks and brokers who demand tangible securities for loans, but the small borrower, unable to comply with the credit requirement, must look elsewhere.

The total amount owed currently to professional lenders is estimated at \$1,720,000.00. In many states the lenders are permitted to charge from 30% to 42% per annum. The money lenders, of course, borrowing from the banks at 6% or less. The handling of this traffic has become the basis for the inception and rapid growth of what may be the country's most lucrative industry—the personal loan business, or, as it is known in certain circles, "the 42% racket."

In Texas pawn brokers pay a franchise tax when incorporated. In 1931-1932 they paid an occupation tax which amounted to \$17,127.07, and in 1932-1933 they paid \$11,000.00.

This committee's attention has been called to the fact that a large number of foreign finance companies operating in Texas do an annual business running into millions of dollars and pay no taxes whatever except a small franchise tax as follows:

Name of Company	1933	1934	1935
C. I. T.	\$ 74.60	\$ 16.94	\$ 45.60
Commercial Credit	10.00	10.34	10.20
General Motors Acceptance Corp.....	2,512.00	1,878.50	1,671.00

These are very small sums for permission and protection of doing millions of dollars of loan business in this State at an exceedingly high rate of interest.

Our attention has further been called to the fact that the large holding companies owning a majority of the stock of some of the largest corporations actively doing business in Texas do not even have a permit to enter this State, and they pay no taxes whatever.

These and the companies that finance the purchase of automobiles, radios, refrigerators and merchandise of that character, undoubtedly, should be brought under provisions

of the tax laws of this State and compelled to contribute their just proportion of the taxes. A bill that will accomplish this result is exceedingly hard to write. During the very limited time this committee has had to work it has been unable to prepare such a measure, but we direct the attention of the Legislature to this subject and point it out as a very fruitful source of taxation.

Brokers and Commission Merchants.

Brokers and commission merchants operate large and lucrative lines of business in Texas without paying taxes to any extent. They

escape the payment of taxes under the plea that they are doing interstate business; their sales being consummated in another state. Attention is directed to this line for study.

Tabulating Machines.

An official has stated to the committee that the State of Texas pays about \$30,000.00 per year to the owners of tabulating and punching machines used in many State departments. These machines are not sold, but leased. The two machines used by the Relief Commission of Texas pay a rental of \$800.00 per month; the owners of these machines have refused to render them for ad valorem taxes even. The committee believes that they should pay their part of the cost of the State government, and respectfully direct the attention of the House of Representatives to this valuable property which does not anywhere appear on the tax rolls.

The above is just a few of the lines of endeavor in the State that are escaping taxation almost altogether.

Building Permits.

Incorporated cities require building permits. The committee's attention has been called to the fact that this would be a good plan with reference to all construction outside of the cities. We are, therefore, recommending the passage of a bill that will require anyone desiring to make improvements amounting to more than \$250.00 outside of cities be required to obtain a permit from the tax collector. This information will be filed in the tax collector's office and will be very helpful in arriving at proper values of property for assessment.

Injunctions Against State Taxes.

It seems to be a common practice for individuals and firms to enjoin the Comptroller or other State authorities from collection of State taxes. These cases are taken into court and kept there as long as possible. A case in point is that of marble machines. Two years ago the Legislature passed a bill taxing these amusement devices, which were draining the State of millions of dollars. By the time the ink was dry on the Governor's signature ap-

proving this measure the Comptroller was served with an injunction enjoining the collection of this tax. The case has been in the courts more than two years and is still pending. In the meantime, the machines have operated day and night by the thousands and in order to prevent this practice the committee has prepared and introduced a bill requiring the court hearing such injunction proceedings to place such cases at the head of the docket, hearing and trying such injunction cases immediately. This will certainly prevent such cases remaining on the court docket for years. Another provision of the bill is that the amount of taxes sought to be enjoined shall be deposited with the clerk of the court and an additional deposit made when installment of said tax is due while the case is pending. Another feature is that no person or firm who is not a party to the original suit may take advantage of any such injunction.

Taxes on Busses, Trucks and Automobiles.

The Ninth Biennial Report of the State Highway Department for the year ending August 31, 1934, page 29, shows that 1,337,766 motor vehicles of every character were registered for that year. The total gross license fees paid amounted to \$14,394,873.26. After making some deductions the total license fees net to the several counties amounted to \$9,178,019.96 and to the State \$4,622,501.91. The counties, therefore, received 66.5% of the net license fees while the State received 33.5%. In passing, it may be stated that these license fees are practically the only money which many of the county commissioners have available for the building and maintenance of county roads.

From almost all over the State information has been brought to this committee that few automobiles are assessed for ad valorem taxes and of those assessed few pay the ad valorem tax. Since the State is badly in need of funds, and since it is the desire of this committee to endeavor to stop every leak possible in the present system of taxation, and since our present laws require that automobiles be assessed as all other property, we concur in the recommendation made by the Tax Survey Com-

mittee, created by the First Called Session of the Forty-second Legislature, which reads as follows:

"As a result of a careful study and analysis of the ad valorem taxes paid by busses and trucks, it is our belief that not only carriers for hire but all owners and operators of motor vehicles should be required, as a condition precedent to registration, to exhibit to the tax collector a receipt or receipts for all ad valorem state, county, and city taxes where such person or applicant resides in such incorporated city, which shall cover taxes that became due on each vehicle in the preceding year, or, in lieu thereof, shall satisfy such collector by affidavit that such vehicle was not subject to taxation during the preceding year. In accordance with this finding, we recommend the enactment of the following suggested bill, or a measure of similar character."

This committee has prepared such a bill and introduced the same. (S. B. No. 60.)

Drug Store Whiskey.

Until such time as the Constitution shall be amended upon the subject of legalized sale of intoxicating liquor, we think that the present practice of general liquor sales by drug stores of authorized medicinal permits should be amended to increase the retail druggist permit fee, and to increase the wholesale druggist sale permit. We think, further, that a consumers tax on the wholesale purchase should be levied against the ultimate consumer, collected by the retail druggist and remitted to the State Comptroller. In this connection, we are of the opinion that the State Comptroller should be given more power to enforce the collection of these permit fees and consumers tax. Based upon the findings of the Senate Committee to investigate crime, enormous quantities of hard liquor are being sold by drug stores, in many instances, in violation of the law with reference to physicians' prescriptions. We have attempted to draft two bills, designed to eliminate this wide-spread violation of the law and to collect taxes on medicinal liquor sold by drug stores.

Theatres.

The committee's attention was directed to the fact that there are a number of film brokers operating in

Texas doing business running into millions of dollars annually and paying no taxes whatever. Attention has also been called to the tax on theatres. It seems that a theatre in a small town pays exactly the same license fee as one in a city. We have taken these facts under consideration and a bill is being drafted to tax the film brokers and theatres in a more equitable manner.

Intangible Wealth.

In 1929-30 government statistics estimated the wealth of Texas to be \$12,785,000,000.00. In 1933 from the same source the estimate was \$10,250,000,000.00.

From the Comptroller's report of 1933 we find the total assessment of property for ad valorem tax to be \$3,764,139,512.00
Less homestead exemption 566,022,061.00

Leaving subject to State ad valorem tax \$3,198,117,451.00

Of this amount real estate was \$2,171,789,008.00
Leaving to cover all other property the amount of 1,026,328,443.00
\$3,198,117,451.00

This shows the portion borne by real estate to be 64.7%.

In 1934 the State Auditor tells us that property in Texas was assessed at about 50% of its true value. According to this rate we get \$2,721,720,976.00 to represent intangible wealth in Texas.

For 1934, from the Commissioner of Banking, we found the deposits in all banks in Texas to be \$851,183,085.00, while 1.12% of this amount was rendered for taxation.

Deducting cash in banks from total intangibles, we have left \$1,870,537,891.00 which must represent notes, bonds, mortgages, etc., and are practically untaxed.

A very thorough study of intangibles has been made by Senator Arthur P. Duggan and detailed information on same will be found farther on in this report.

A bill is being prepared whereby notes, bonds, and mortgages may be brought to bear their just burden of taxation.

CORRECTIVE MEASURES.

This committee had just about three weeks to work following the adjournment of the Fourth Called Session of the Forty-third Legislature and the convening of the Forty-fourth Legislature. With several very loyal assistants we worked almost night and day to prepare measures that we hope will be helpful in eliminating some of the inequalities and raise sufficient taxes to cut the deficit and help carry on the current expenses of the State. Among such measures are the following:

S. B. No. 11. Injunction Bill—To put an end to injunction suits pending in court indefinitely.

Ad Valorem:

S. B. No. 60. Motor Vehicle Ad Valorem Tax Bill—Requiring automobile owners to pay ad valorem tax before getting license plates.

S. B. No. 114. Delinquent Ad Valorem Tax Bill—(Estimated revenue increase, 6 million)—In accord with constitutional amendment, Article VIII, Section 13.

Occupation Tax:

S. B. No. 61. Amending Article 7058—Requiring express companies, by steam, rail or water, to report quarterly on gross amount collected and uncollected.

S. B. No. 62. Amending Article 7059—Requiring telegraph lines to report quarterly on all gross amounts collected and uncollected for preceding quarter.

H. B. No. 246. Amending Article 7060—Taxing gas companies in towns under 2500 and in counties (all utilities).

S. B. No. 63. Amending Article 7061—Collecting agency or credit reporting agency to report quarterly on gross amount collected and uncollected.

S. B. No. 64. Amending Article 7070—Telephone lines to report on gross amount collected and uncollected.

S. B. No. 65. Amending Article 7073—Changing rate of tax for first quarter for concerns beginning in business.

H. B. No. 248. Amending Article 7075—Adding 6% interest to tax and penalty after they become delinquent.

S. B. No. 188. Itinerant Merchant Bill—To protect the legitimate home merchants.

S. B. No. 189. Collection of occupation tax by Comptroller—To more effectively collect occupation taxes.

H. B. No. 401. Requiring agents soliciting orders for out of state distributors to pay license of \$150.00 each.

Gross Receipts:

H. B. No. 287. Tax crude oil production 3c per barrel.

H. B. No. 288. Tax of 1/5 of 1c per thousand cubic feet of natural gas.

Bills to regulate bonds issued by local units of government:

S. B. No. 165. Relating to investment of sinking funds created for paying bonds of county, city, town, school district or improvement district.

S. B. No. 166. Requiring school districts and improvement districts to file annual reports with the Comptroller relating to their finances, debts, obligations, sinking funds, taxable values and other resources.

S. B. No. 194. Relating to depositories of the public funds of counties, political subdivisions, improvement districts, school districts, cities, towns and villages in the State.

S. B. No. 200. Providing that no commissioners' court or governing body of any city or town shall make contracts calling for or requiring the expenditure or payment of \$2,000 or more without first submitting such to competitive bids; etc.

Other Corrective Measures:

S. B. No. 66. Fixing and changing the date for the County Judge to prepare the budget for the county and also changing date for commissioners' court to have public hearing; etc.

Cigarette Tax:

Amending H. B. 578, Chapter 153, Forty-third Laws. (Cigarette—estimated revenue increase 1½ million.)

Gasoline Tax:

Amending H. B. 247, Chapter 44, Forty-third Laws. (Motor Fuel—estimated revenue increase 1½ million.)

Amending H. B. 246, Chapter 46, Forty-third Laws. (Inferior Motor Fuel—estimated revenue increase ½ million.)

Beer Tax:

Amending H. B. 122, Chapter 116, Forty-third Laws. (Beer—estimated revenue increase $\frac{1}{2}$ million.)

Liquor Tax:

Stamp tax on drug store whiskey.
Higher permit fee on drug stores selling liquor ($\frac{1}{2}$ of tax to go to counties).

Stamp Tax on Cigars:

Stamp tax on bonds, mortgages, and notes:

- Tax on loan brokers.
 - Tax on finance companies.
 - Tax on theatres.
 - Tax on film brokers.
 - Tax on tabulating machines rented or leased in the State.
 - Tax on goods in warehouses.
 - Tax of 1c per thousand cubic feet on gas produced, etc.
 - Tax of \$15 per mile on easements situated within a city.
 - Tax of \$10 per mile on easements situated outside of city.
 - Tax of 5% on sales of radios.
 - Tax of 3% on electric refrigeration.
 - Tax of 15% on pari-mutuel betting.
 - Defining "homestead."
- Senator T. J. Holbrook has made a very extensive study of the income tax and the sales tax and has written an article on each which appear as the last two sections of this report.

A NEW CONSTITUTION.

It has been observed by this committee during its study of the fiscal affairs of this State that a new Constitution is needed in Texas. The present Constitution was adopted in 1876 and the past fifty-nine years of progress have added so many new problems which were neither foreseen nor provided for in the old Constitution, that it is practically impossible to meet the needs of the present day. No better proof is needed to establish this fact than to take notice of the amendments that are offered at each recurrent session of the Legislature. If the amendments that have been, and will be, proposed during this present session of the Legislature are submitted to the people, it will involve a

cost greater than that which a constitutional convention would require. This committee is not alarmed over the possibility of leaving out any of the fundamentals which are written into the present Constitution, such as the Bill of Rights, Homestead Laws, etc. But it does see the necessity of shaping the old Constitution into a better form so that it would serve the people at this time at least as well as it did our pioneer fathers in the oxcart day. We have no patience with those who say that "this is not the proper time to write a constitution," for that hackneyed expression has been used for more than a fourth of a century. The fact is, we have just as able and patriotic men and women in Texas as we did in 1876. Certainly our forebears who lived fifty-nine years ago in this State could not vision nor comprehend the changes that have taken place since then, and it is idle to say that we of this generation are not as fitted to prepare the way for our happiness and liberty in as able a manner as our fathers did. During the more than half century which has passed since its adoption, amendments have been plastered on so thickly that it has become a veritable statute book, rather than a simple declaration of fundamental law. We believe, and say to this Legislature, that a far better tax system could be set up than that which we now have, by re-writing the Constitution and bringing the terms of it so as to better fit our present needs.

We, therefore, recommend that a joint resolution, calling for a constitutional convention at an early date, be presented to the Legislature for its consideration and adoption in order that the people of this State may have a chance to express themselves on the matter. In presenting this resolution, we believe that as small a number of delegates as possible should be selected, preferably one from each senatorial district in the State and not to exceed five at large.

REGULATING THE ISSUANCE AND APPROVAL OF BONDS, ETC.

Attention of this committee has been drawn to the fact that many counties in this State have suffered great losses in the matter of unwise

investments providing for sinking funds to cover outstanding indebtedness. It is the judgment of the committee that a law should be enacted so as to compel the commissioner's court of any county, the governing body of any city or town, the board of trustees of any independent school district or other school district, or school community, or the proper authorities of any improvement district of whatever class and however organized before purchasing any bonds as investments for their respective sinking funds created for the redemption and payment of the outstanding bonds of such county, city or town, district or community, to have the treasury or depository thereof first secure the approval of the State Depository Board and within fifteen days from date of the purchase of such bonds to make written report of such purchase to the State Comptroller of Public Accounts, and which report shall show in detail the kind or character of the bonds to be purchased or acquired, the date and serial numbers thereof, the rate of interest thereon, the interest and maturity date, the denomination of each bond and date of maturity, and the amount of such purchase price.

A strong penalty for the failure to secure such approval should be enacted. A statute of this kind should prove to be helpful in checking these losses. In addition to that, the Constitution of the State should be so amended as to authorize counties, cities and towns by a referendum vote to adopt a public debt limit in lieu of the ad valorem tax rate limits now prescribed therefor. Such a provision would not repeal any part of the Constitution relating to the tax rates now prescribed for these subdivisions; it would leave them intact. In other words, if any county, city or town may desire to substitute a debt limit, say for ten per cent of the assessable tax values and to levy an ad valorem tax in payment of existing and future debts within such ten per cent limit, by the levying of an ad valorem tax without limitation as to rate, it would have the right to do so in case the qualified voters thereof desire to substitute such debt limit. This constitutional amendment, if adopted, would, of course, not be effective in any county unless and until

a majority of the qualified voters so ordered.

This committee has further given serious attention to the matter relating to depositories of the public funds of the counties, cities, towns and villages in this State and believes that the present law should be materially changed so as to provide greater safety to the taxpaying public and recommends several corrective measures.

STATE PERMANENT SCHOOL FUNDS

As of August 31, 1934, the Auditor's report shows bonds owned by the Permanent School Funds of the State of Texas, amounting to forty-three million nine hundred sixty-two thousand nine hundred ninety-seven dollars and fifty-five cents (\$43,962,997.55). On page 18 to 25 inclusive, of the State Auditor's report, as of June 30, 1933, will be found some very interesting and pertinent information regarding the matter of purchasing refunding bonds by the State Board of Education when the original bonds were held by the permanent school fund. While this matter might not be properly within the review of this committee, it necessarily came under our observation during the time we were engaged in analyzing the fiscal affairs of the State. The Auditor's report was that in many instances refunding bonds of independent and common school districts throughout the State, have been purchased by the State Board of Education at par, when in fact the original bonds were selling on the market at much below par. We are not laying any blame on the State Board of Education in this matter, for the reason that the law governing purchase of this class of bonds by the State Board of Education will not permit them to purchase such bonds below par. We do, however, call the attention of the Forty-fourth Legislature to the fact that there are millions of dollars worth of these bonds now held and owned by the permanent school fund that could not possibly be sold for anything like near the par value. We deem it necessary for the school board to hereafter make close analysis of all refunding bonds that are offered for sale. The Permanent School Fund is certainly the most

important investment the State has in the matter providing for the education of this and future generations, and if any losses are incurred through neglect, ignorance, or lack of foresight in the matter of determining the value before purchasing, it would certainly be a calamity.

This committee believes that the matter of investing and re-investing moneys constantly coming into this fund, should be in the hands of those who are experts in such matters. We also believe that if it is to be left in the hands of the State Board of Education to make these investments and look after the collection of these funds, that they should employ some person who is thoroughly versed in the bond business and who is able to determine the soundness of any investment before it is made. We recommend that the Legislature give this matter careful consideration to the end that the bonds now owned may be closely analyzed by someone who is capable of doing so in order to ascertain their present value, and that this value should be made known to the Legislature. In addition to that, the State Board of Education should be supplied with advice from someone who is not only versed in the matter of purchasing bonds but who is recognized as a sound financier. It might be possible to have a state board of education who is thoroughly qualified in the matter of setting up and running the schools and giving advice as to a proper curriculum to be pursued in the schools, etc., and at the same time said board might not have the required information to take charge of and handle these investing funds. The matter of conserving these funds is a big job in itself and it is the opinion of this committee that it would probably be best to create a board whose duties it would be to look after these funds from all the angles mentioned. The fact that the investments are not now first class and many of them are of doubtful value, creates such an emergency that this matter have preferred attention, and the hope of this committee is that this will be done. It is our understanding that all boards of education heretofore have given this matter such attention as they could, but the fact is their meetings are too infrequent to keep them in constant

touch with the situation. Besides this, they have no qualified person employed who can give his whole time and attention to this very important matter. It will further be noted that the University Fund, which is much smaller than the State Permanent School Fund, has been more efficiently managed by reason of the fact that they have an expert bond man who gives his whole time to the matter of making investments and collections. We think perhaps the Legislature made a mistake some years ago when it passed a law prohibiting the State Board of Education from purchasing school district bonds at less than par, when as a matter of fact, these bonds have sold since that time all over the State at considerable discounts; which on its face would indicate that they were standing on a weak structure. Then, too, the very fact is patent that a refunding bond is one which had already reached the state of default; otherwise, there would have been no necessity for issuing refunding bonds.

The Legislature in the past has also passed a bill which widened the field for these investments and this committee believes that in view of the fact that many of these bonds are weak and unless strengthened materially by some form of taxation, will eventually be defaulted in payment of either principal or interest, or both. It would be wise for the Legislature to now look into this feature carefully and if necessary, restrict these fields of investment even to the point of prohibiting our permanent school funds from being invested in anything except the bonds of the State or National Government. It is true that interest rates may be lower if investments are restricted to this field, but on the other hand, it is certain that the principal will be made safer and stronger and that the probability of great losses will thereby be lessened.

CHRONOLOGICAL SURVEY OF CONSTITUTIONAL AMEND- MENTS AND STATUTES RELATING TO CONFED- ERATE PENSIONS.

Article 3, Section 51, Texas Constitution (1876) expressly prohibits the Legislature from granting public funds to any individual, associa-

tion of individuals, etc., except in case of public calamity.

1894 Amendment to this provision permits the Legislature to found a home for indigent and disabled Confederate soldiers and sailors, but restricts expenditures to \$100,000.00 per year.

Act of 1895 provides for the transfer of the Confederate Home, privately operated by the John B. Hood Camp, Confederate Veterans, to the State of Texas.

1898 Amendment to Texas Constitution permits the Legislature to grant aid to indigent and disabled Confederate Veterans who came to Texas prior to January 1, 1880, who are over 60 years of age or whose disability is proximate result of actual service, their widows in indigent circumstances who have never remarried, who came to the State prior to March 1, 1880, and who were married to such veterans prior to March 1, 1866; provided that such aid shall never exceed \$8.00 per month and appropriations for such aid shall not exceed \$250,000.00 per year. Retains provision for Confederate Home but provides that inmates shall never receive a pension.

Act of 1899 makes provision for granting pensions under conditions outlined in amendment of 1898, with the additional restrictions, that applicant must have been a resident of Texas continuously since January 1, 1880, or must have originally enlisted in the Confederate service from Texas, that the aid shall never exceed \$8.00 per month and amount appropriated for pensions shall be prorated among the pensioners so that a valid claim or deficiency shall never be created against the State. Indigent is defined as "one who is in actual want and destitute of property and means of subsistence."

1904 Amendment retains same provisions as 1898 Amendment except that widows who were married to veterans prior to March 1, 1880, are made eligible for pensions, and the maximum appropriations for any year is raised from \$250,000.00 to \$500,000.00.

Act of 1905 raised pension appropriations to \$500,000.00 per year.

Act of 1909 carries into effect 1904 Amendment making widows who were married anterior to March 1, 1880, eligible for pensions. Creates Commissioner of Pensions whose duty is to pass on all pension claims, keep records and make reports. Further

defines indigency by excluding from pensions those veterans who have property, real or personal, in the value of \$1,000.00, household goods and wearing apparel excluded or who enjoy an annual income of \$150.00. Further provides that the blind, maimed or totally disabled veterans or the blind, maimed or totally disabled widows shall be allotted \$8.00 per month and remaining funds prorated among the other pensioners.

1910 Amendment retains same provisions as Amendment of 1904 and makes provision for the Confederate Woman's Home—no inmate of said home shall ever be entitled to any other aid from the State.

Act of 1911 provides for the home.

1912 Amendment grants aid to indigent and disabled veterans who came to Texas prior to January 1, 1900, and to widows in indigent circumstances who have been citizens of Texas since January 1, 1900, and who were married to Confederate Veterans anterior to January 1, 1900; provided that "widow" as here used shall not apply to women born since 1861. Also extends aid to any soldier who served for six months in any organization for the protection of the frontier against Indians or Mexicans during the war between the States. Permits the Legislature to levy an ad valorem tax of five (5) cents on the one hundred dollar valuation for the purpose of creating a special fund for the payment of Confederate pensions; omits restriction against inmates of home receiving pensions; omits restriction against widow's remarriage; omits \$500,000.00 restriction as to amount appropriated for any one year and also removes the restriction as to the amount paid to each pensioner.

Act of 1913 defines indigency as one who does not have property, real or personal, exceeding in value \$1,000.00, exclusive of homestead and, if he has a homestead of less than \$1,000.00 in value, does not receive an annual income of more than \$300.00.

Act of 1913 levies an ad valorem tax of five (5) cents on the one hundred dollar valuation for purpose of creating a special fund for the payment of pensions. Provides pension of eight and one-third dollars per month to those who fulfill same qualifications as outlined in Amendment of 1912 and have lived in Texas continuously since January 1, 1900. Prorates money among pensioners

and doesn't create deficiency in case appropriation is insufficient to pay eight and one-third dollars to each pensioner. Retains indigency definition. Eight and one-third dollars shall first be allotted to the blind, maimed and disabled pensioners and balance prorated among other pensioners.

Act of 1917 provides for mortuary warrant of \$30.00 in case of pensioner's death if the pension warrant for the quarter in which death occurred is returned and canceled. Note: Pension warrants are issued in advance.

Act of 1917 provides that the Commissioner of Pensions shall prorate pension fund equally among all pensioners. Removes 1913 provision for prior allotment to blind, etc.

Act of 1918 abolishes the office of Commissioner of Pensions and his duties are placed upon the Comptroller.

Act of 1919 provides for the payment of sixteen and two-thirds dollars per month, and requires the fund to be prorated among the pensioners, if it proves to be inadequate.

Wives of Confederate Veterans who have re-married are eligible for pensions if they were living with veteran at time of his death, are now widows, in indigent circumstances and were married to such veteran prior to January 1, 1880. "Widows" refers only to women born prior to 1861.

Act of 1921 prohibits the payment of a pension to any person confined in the asylums and penitentiary at state expense, but permits the payment of pensions to inmates of the Confederate Home, in the amount of one-half of the pension that the inmate of the home would receive if he were not in the home.

Act of 1923 increases mortuary warrant from \$30.00 to \$65.00—pension payment for the quarter to be returned before mortuary warrant shall issue.

Act of 1923 defines indigency—property of less than \$1,000.00 value, exclusive of homestead and if homestead value is not assessed at more than \$2,000.00, then an annual income of not more than \$300.00 is made the test for indigency.

1924 Amendment grants aid to indigent or disabled veterans who came to Texas prior to 1910, their widows in indigent circumstances who have been residents of the State since January 1, 1910, and who were

married prior to January 1, 1910. "Widow" shall not refer to women born since 1861. Permits an ad valorem tax of seven (7) cents on the one hundred dollar valuation for purpose of the pension fund. No restriction as to how much a pensioner may be paid.

Act of 1925 levies seven (7) cents on the one hundred dollar valuation. Also provides that there shall be paid to every indigent veteran and widow in indigent circumstances who qualifies under 1924 amendment, a pension of \$25.00 per month, but retains prohibition against the creation of a deficiency and provides for pro rata distribution of funds.

Act of 1927 defines indigency — no material change from former definitions.

1928 Amendment provides that the Legislature may grant aid to indigent and disabled Confederate Veterans under such regulations as the Legislature may deem expedient, and to their widows in indigent circumstances under the regulations deemed expedient by the Legislature. Confederate homes are left to Legislative control.

Act of 1929 provides that a pension shall be paid to indigent and disabled veterans who came to Texas prior to January 1, 1920, and to their widows who came to this State prior to January 1, 1920, and who were married to such veterans prior to January 1, 1912. Widows of men who were in active service of protecting the border against Mexicans and Indians during the war must have married prior to 1910 in order to receive aid. "Widow" as here used shall not refer to women born since 1873. Remarriage since the death of the husband, who was a veteran, shall not bar the surviving widow from getting a pension if she is now a widow and was living with the veteran at the time of his death. Provides that fund shall be prorated if it is insufficient. Section 3 of this act provides that the Comptroller shall first allot \$50.00 to each veteran living with a woman whom he married prior to January 1, 1900, and who was born prior to January 1, 1873, and \$25.00 to every veteran now unmarried or a widower and the remaining fund shall be prorated among the pensioners; provided that pensioner shall never receive more than a veteran. Section 5 raises mortuary warrant from \$65.00 to \$100.00.

Act of 1929 2nd C. S. provides that Comptroller shall allot \$25.00 to each Confederate Veteran regardless of marital status, and to each Confederate Veteran's widow, who is more than seventy-five years of age and balance prorated among the pensioners in indigent circumstances.

Act of 1930 5th C. S. omits indigent. Grants \$50.00 per month to every married veteran who has lived with his wife since January 1, 1900, and \$25.00 per month to single veterans and widows. All applicants heretofore approved get this and all veteran applicants hereafter approved must have come to the State ten years prior to the approval—widows must have come to the State six years prior to the approval and must have been married to the veteran prior to January 1, 1912. "Widow" shall not refer to women born since 1873. If funds are insufficient then it shall be prorated among the pensioners. Act also provides for pension fund to borrow from the general revenues of the State this amount to be paid back out of surplus in the pension fund after payment of pensions of veterans and widows heretofore approved and payment of pensions hereafter approved of veterans who have lived in State 10 years and widows who have lived in State six years. After payment to these two classes the balance is to be prorated among all pensioners.

Act of 1931 provides for pension fund to borrow from the general revenue fund of the State. Soldiers whose application has heretofore been approved or who came to Texas prior to January 1, 1928, and whose application shall hereafter be approved

and widows whose applications have heretofore been approved and who came to Texas prior to January 1, 1928, and whose application shall hereafter be approved and who were married to such veterans prior to January 1, 1921, and who lived at least ten years with such veteran shall receive a pension. Widow does not refer to a woman born since January 1, 1873. A widow who remarries shall not receive a pension unless she is again left a widow. Soldiers or widows over 88 years of age, who came to Texas prior to January 1, 1930, shall receive pensions if otherwise pensionable. Comptroller shall pay \$50.00 to every married veteran and \$25.00 to every veteran, now unmarried, widower or widow. The remainder of the fund after reimbursing the general fund shall be prorated among all of the pensioners. Omits "indigent" and seems to pay the same amount to pensioners in the home and those outside.

From the 1932 report of the State Comptroller, Table No. 76, Page 119, we find the following very interesting chronological history of the quarterly and/or monthly payments to Confederate pensioners from the year 1899 down to and including the year 1931. It is interesting to note the progressively increasing allotments from year to year and time to time, and these increases can be explained by a reading of the foregoing chronological study of the amendments to the Constitution and Statutes with reference to Confederate Pension Fund. The table is as follows:

REPORT OF COMPTROLLER, 1932

Table No. 76, Page 119

The Following is the Amount Paid Each Pensioner Commencing with Confederate Pension Law

First quarter, year 1899-1900	\$ 6.81
Second quarter, year 1899-1900	6.81
Third quarter, year 1899-1900	4.35
Fourth quarter, year 1899-1900	4.35
First quarter, year 1900-1901	6.00
Second quarter, year 1900-1901	6.00
Third quarter, year 1900-1901	6.15
Fourth quarter, year 1900-1901	6.15
First quarter, year 1901-1902	7.65
Second quarter, year 1901-1902	7.65
Third quarter, year 1901-1902	8.15
Fourth quarter, year 1901-1902	8.15

First quarter, year 1902-1903	7.40
Second quarter, year 1902-1903	7.40
Third quarter, year 1902-1903	7.50
Fourth quarter, year 1902-1903	7.50
First quarter, year 1903-1904	9.50
Second quarter, year 1903-1904	9.50
Third quarter, year 1903-1904	9.00
Fourth quarter, year 1903-1904	9.00
First quarter, year 1904-1905	9.00
Second quarter, year 1904-1905	9.00
Third quarter, year 1904-1905	9.00
Fourth quarter, year 1904-1905	9.00
First quarter, year 1905-1906	13.50
Second quarter, year 1905-1906	13.50
Third quarter, year 1905-1906	14.00
Fourth quarter, year 1905-1906	14.00
First quarter, year 1906-1907	16.50
Second quarter, year 1906-1907	16.50
Third quarter, year 1906-1907	16.50
Fourth quarter, year 1906-1907	16.50
First quarter, year 1907-1908	16.50
Second quarter, year 1907-1908	16.00
Third quarter, year 1907-1908	16.00
Fourth quarter, year 1907-1908	16.00
First quarter, year 1908-1909	16.00
Second quarter, year 1908-1909	15.00
Third quarter, year 1908-1909	15.00
Fourth quarter, year 1908-1909	15.00
First quarter, year 1909-1910	11.25
Second quarter, year 1909-1910	11.25
Third quarter, year 1909-1910	10.50
Fourth quarter, year 1909-1910	10.50
First quarter, year 1910-1911	10.50
Second quarter, year 1910-1911	10.50
Third quarter, year 1910-1911	10.50
Fourth quarter, year 1910-1911	10.50
First quarter, year 1911-1912	10.50
Second quarter, year 1911-1912	10.50
Third quarter, year 1911-1912	10.50
Fourth quarter, year 1911-1912	10.50
First quarter, year 1912-1913	10.50
Second quarter, year 1912-1913	10.50
Third quarter, year 1912-1913	10.50
Fourth quarter, year 1912-1913	10.50
First quarter, year 1913-1914	10.50
Second quarter, year 1913-1914	15.00
Third quarter, year 1913-1914	20.00
Fourth quarter, year 1913-1914	22.00
First quarter, year 1914-1915	22.00
Second quarter, year 1914-1915	22.00
Third quarter, year 1914-1915	13.00
Fourth quarter, year 1914-1915	10.00

First quarter, year 1915-1916.....	14.25
Second quarter, year 1915-1916.....	15.00
Third quarter, year 1915-1916.....	10.00
Fourth quarter, year 1915-1916.....	14.25
First quarter, year 1916-1917.....	15.00
Second quarter, year 1916-1917.....	16.00
Third quarter, year 1916-1917.....	16.00
Fourth quarter, year 1916-1917.....	16.00
First quarter, year 1917-1918.....	16.00
Second quarter, year 1917-1918.....	16.00
Third quarter, year 1917-1918.....	16.00
Fourth quarter, year 1917-1918.....	18.00
First quarter, year 1918-1919.....	18.00
Second quarter, year 1918-1919.....	20.00
Third quarter, year 1918-1919.....	22.00
Fourth quarter, year 1918-1919.....	22.00
First quarter, year 1919-1920.....	22.00
Second quarter, year 1919-1920.....	23.00
Third quarter, year 1919-1920.....	23.00
Fourth quarter, year 1919-1920.....	23.00
First quarter, year 1920-1921.....	24.00
Second quarter, year 1920-1921.....	24.00
Third quarter, year 1920-1921.....	24.00
Fourth quarter, year 1920-1921.....	24.00
First quarter, year 1921-1922.....	24.00
Second quarter, year 1921-1922.....	24.00
Third quarter, year 1921-1922.....	24.00
Fourth quarter, year 1921-1922.....	25.00
First quarter, year 1922-1923.....	25.00
Second quarter, year 1922-1923.....	26.00
Third quarter, year 1922-1923.....	27.00
Fourth quarter, year 1922-1923.....	30.00
First quarter, year 1923-1924.....	30.00
Second quarter, year 1923-1924.....	31.00
Third quarter, year 1923-1924.....	32.00
Fourth quarter, year 1923-1924.....	34.00
First quarter, year 1924-1925.....	35.00
Second quarter, year 1924-1925.....	36.00
Third quarter, year 1924-1925.....	37.00
Fourth quarter, year 1924-1925.....	38.00
First quarter, year 1925-1926.....	40.00
Second quarter, year 1925-1926.....	40.00
Third quarter, year 1925-1926.....	45.00
Fourth quarter, year 1925-1926.....	45.00
First quarter, year 1926-1927.....	47.00
Second quarter, year 1926-1927.....	47.00
Third quarter, year 1926-1927.....	48.00
Fourth quarter, year 1926-1927.....	48.00
First quarter, year 1927-1928.....	50.00
Second quarter, year 1927-1928.....	50.00
Third quarter, year 1927-1928.....	54.00
Fourth quarter, year 1927-1928.....	54.00

First quarter, year 1928-1929	56.00
Second quarter, year 1928-1929	56.00
Third quarter, year 1928-1929, Men with wives	150.00
Third quarter, year 1928-1929, Men without wives	75.00
Third quarter, year 1928-1929, Widows	37.50
Fourth quarter, year 1928-1929, Pensioners seventy-five or more years of age	67.00

Each month, year 1929-1930:

Soldier Pensioners who have living wives to whom they were married prior to January 1, 1900	50.00
Soldier Pensioners married after January 1, 1900, and single Soldier Pensioners	25.00
Widow Pensioners	25.00

Each month, year 1930-1931:

Soldier Pensioners who have living wives to whom they were married prior to May 28, 1931	50.00
Soldier Pensioners married after May 28, 1931, and single Soldier Pensioners	25.00
Widow Pensioners	25.00

Each month, year 1931-1932:

Soldier Pensioners who have living wives to whom they were married prior to May 28, 1931	50.00
Soldier Pensioners married after May 28, 1931, and single Soldier Pensioners	25.00
Widow Pensioners	25.00

Inmates of the Confederate Homes receive one-half the amount that those receive out of the homes.

The relatives or legal representatives of a pensioner receive \$100.00 mortuary at the time of the death of pensioner.

Another interesting study of the subject of pensions is included in the following annual tabulations of total expenditures for pension purposes. It is to be noted that for the fiscal year 1899-1900 the grand total of pension expenditures was \$137,372.61. Whereas for the fiscal year ending August 31, 1933, the total was \$3,242,564.15, or an increase of approximately 2300% in thirty-four years, this notwithstanding the fact that from the beginning of the fund in 1899 down to about the year 1915 there was a steady increase in the number on the roll and beginning the latter year there was a steady decrease in the number of pensioners with the possible exception of the years 1930 and 1931, which showed slight increases that may be explained by the enactment of the existing statute.	1903-1904	282,116.06
	1904-1905	278,226.76
	1905-1906	422,505.25
	1906-1907	516,230.40
	1907-1908	522,135.00
	1908-1909	505,469.18
	1909-1910	359,318.00
	1910-1911	382,672.50
	1911-1912	490,529.50
	1912-1913	505,612.91
	1913-1914	742,367.00
	1914-1915	1,442,413.85
	1915-1916	1,287,630.75
	1916-1917	1,304,925.00
	1917-1918	1,321,196.40
	1918-1919	1,354,360.86
	1919-1920	
	1920-1921	1,422,480.00
	1921-1922	1,423,378.00
	1922-1923	
	1923-1924	
	Pensions & Mortuary Warrants.	
	1924-1925	\$1,935,097.88
	1925-1926	2,194,850.55
	1926-1927	2,339,519.65
	1927-1928	2,430,740.76
	1928-1929	2,396,273.83
	1929-1930	2,917,131.15
	1930-1931	3,598,828.75

ANNUAL EXPENDITURES OF THE CONFEDERATE PENSION.

1899-1900	\$ 137,372.61
1900-1901	183,530.97
1901-1902	237,028.68
1902-1903	232,356.14

1931-1932	3,562,634.32	1930-1931	10,987
1932-1933	3,242,564.15	1931-1932	10,443
		1932-1933	9,407
		1933-1934	8,006

Chronological List of Pensions.

1899-1900	3,673
1900-1901	
1901-1902	7,083
1902-1903	6,992
1903-1904	7,279
1904-1905	7,681
1905-1906	7,680
1906-1907	7,942
1907-1908	8,158
1908-1909	8,286
1909-1910	8,356
1910-1911	9,111
1911-1912	11,679
1912-1913	12,038
1913-1914	17,354
1914-1915	18,128
1915-1916	18,320
1916-1917	17,924
1917-1918	16,928
1918-1919	16,694
1919-1920	
1920-1921	14,969
1921-1922	14,862
1922-1923	13,637
1923-1924	12,897
1924-1925	12,530
1925-1926	12,243
1926-1927	11,702
1927-1928	10,930
1928-1929	10,717
1929-1930	10,794

This table has been compiled from data found in the official reports of the State Comptroller and the Commissioner of Pensions. The number of pensioners shown for any given year, necessarily, cannot be absolutely accurate, because pension payments have been made quarterly or monthly and the pension roll is never stable from one payment to the next, but the table is valuable in showing the trend of the pension roll and also the effect of certain legislation upon the number of pensioners. (Note the jump from 1912 to 1915 as a result of the Constitutional Amendment of 1912.)

The compiler has been unable to ascertain, separately, the number of soldiers and widows on the pension roll each year, but of the 7,083 pensioners in 1901-1902, only 2,343 were widows. Whereas, the report of the Tax Survey Committee, created by the First Called Session of the Forty-second Legislature, shows that of 10,276 pensioners then on the Confederate Pension Roll of Texas, 8,125 were widows. There are now 8006 pensioners on the roll, of which 6769 are widows.

APPROPRIATIONS FOR CONFEDERATE HOMES AS MADE DURING EACH LEGISLATIVE BIENNIUM

Twenty-fourth Legislature, 1895-1896

Acts of 1895, Chapter 36, Page 42:

Establishment of Confederate Home.....\$100,000.00

Acts of 1895, Chapter 86, Page 137:

For year ending February 28, 1896..... 32,370.00

For year ending February 28, 1897..... 38,250.00

Grand Total for 1895-1897.....\$170,620.00

Twenty-fifth Legislature, 1897-1898

Acts of 1897, First Called Session, Chapter 10,

Page 33:

For year ending February 28, 1898..... 41,740.00

For year ending February 28, 1899..... 40,360.00

Grand total for 1897-1899.....82,100.00

Twenty-sixth Legislature, 1899-1900

Acts of 1899, Chapter 24, Page 31:

For deficiency..... 6,499.91

Acts of 1899, Chapter 154, Page 290:

For year ending February 28, 1900..... 61,722.00

For year ending February 28, 1901..... 53,842.00

Acts of 1900, First Called Session, Chapter 8,
Page 24:

For finishing hospital..... 5,000.00

Grand Total for 1899-1901.....\$127,063.91

Twenty-seventh Legislature, 1901-1902

Acts of 1901, Chapter 14, Page 18:

For maintenance 6,288.00

Acts of 1901, Chapter 85, Page 243:

For March 1, 1901, to Aug. 31, 1901..... 22,198.00

Acts of 1901, Second Called Session, Chapter 4, Page 31:

For year ending August 31, 1902..... 58,530.00

For year ending August 31, 1903..... 57,530.00

Grand Total for 1901-1903..... 144,546.00

Twenty-eight Legislature, 1903-1904

Acts of 1903, Chapter 28, Page 54:

For paying bookkeeper..... 360.00

Acts of 1903, First Called Session, Chapter 8, Page 15:

For May 1, 1903, to Sept. 1, 1903..... 16,228.60

Acts of 1903, First Called Session, Chapter 13, Page 68:

For year ending August 31, 1904..... 92,664.00

For year ending August 31, 1905..... 71,664.00

Grand Total for 1903-1905..... 180,916.60

Twenty-ninth Legislature, 1905-1906

Acts of 1905, Chapter 85, Page 118:

For improvements\$ 3,700.00

Acts of 1905, First Called Session, Chapter 7, Page 431:

For deficiency 8,137.24

Acts of 1905, First Called Session, Chapter 9, Page 483:

For year ending August 31, 1906..... 77,494.00

For year ending August 31, 1907..... 77,044.00

Grand Total for 1905-1907..... \$166,375.24

Thirtieth Legislature, 1907-1908

Acts of 1907, Chapter 24, Page 43-44:

For deficiency 5,229.29

Acts of 1907, Chapter 187, Page 400:

For year ending August 31, 1908..... 81,574.00

For year ending August 31, 1909..... 80,174.00

Grand Total for 1907-1909..... 166,977.29

Thirty-first Legislature, 1909-1910

Acts of 1909, Chapter 36, Page 76:

For deficiency 5,005.42

Acts of 1909, Second Called Session, Chapter 28, Page 496:

For year ending August 31, 1910..... 90,228.00

For year ending August 31, 1911..... 80,728.00

Grand Total for 1909-1911..... 175,961.42

Thirty-second Legislature, 1911-1912

Acts of 1911, Chapter 36, Page 50:

For founding Confederate Woman's Home.. 20,000.00

Acts of 1911, First Called Session, Chapter 3, Page 60:

For year ending August 31, 1912..... 6,200.00

For year ending August 31, 1913..... 6,200.00

Conf. Woman's Home Total for 1911-1913..... 32,400.00

Acts of 1911, First Called Session, Chapter 2, Page 1:

For repairs\$ 8,000.00

Acts of 1911, First Called Session, Chapter 3, Page 41:		
For year ending August 31, 1912.....	92,208.00	
For year ending August 31, 1913.....	91,050.00	
Acts of 1911, First Called Session, Chapter 4, Page 72:		
For deficiency	11,000.00	
Conf. Home Total for 1911-1913		\$202,258.00
Grand Total for 1911-1913		234,658.00
Thirty-third Legislature, 1913-1914		
Acts of 1913, First Called Session, Chapter 40, Page 144:		
For year ending August 31, 1914.....	17,005.00	
For year ending August 31, 1915.....	4,630.00	
Governor vetoed \$12,000.00 item for 1915		
Conf. Woman's Home Total for 1913-1915..		21,635.00
Acts of 1913, Chapter 9, Page 12:		
For deficiency	1,562.88	
Acts of 1913, First Called Session, Chapter 40, Page 144:		
For year ending August 31, 1914.....	96,770.00	
For year ending August 31, 1915.....	93,420.00	
Conf. Home Total for 1913-1915		191,752.88
Grand Total for 1913-1915.....		213,387.88
Thirty-fourth Legislature, 1915-1916		
Acts of 1915, Chapter 9, Page 12:		
For deficiency	4,000.00	
Acts of 1915, First Called Session, Chapter 30, Page 61:		
For year ending August 31, 1916.....	39,870.00	
For year ending August 31, 1917.....	22,820.00	
Conf. Woman's Home Total for 1915-1917		66,690.00
Acts of 1915, Chapter 9, Page 13:		
For deficiency	\$ 8,950.00	
Acts of 1915, First Called Session, Chapter 30, Page 61:		
For year ending August 31, 1916	91,830.00	
For year ending August 31, 1917	91,830.00	
Conf. Home Total for 1915-1917		\$192,610.00
Grand Total for 1915-1917.....		259,300.00
Thirty-fifth Legislature, 1917-1918		
Acts of 1917, First Called Session, Chapter 9, Page 11:		
For deficiency	4,000.00	
Acts of 1917, First Called Session, Chapter 42, Page 88:		
For year ending August 31, 1918	36,570.00	
For year ending August 31, 1919	30,970.00	
Conf. Woman's Home Total for 1917-1919		71,540.00
Acts of 1917, Chapter 148, Page 356:		
For roof repair—fire damage	1,500.00	
Acts of 1917, First Called Session, Chapter 42, Page 86:		
For year ending August 31, 1918.....	143,970.00	
For year ending August 31, 1919	101,170.00	
Conf. Home Total for 1917-1919		246,640.00
Grand Total for 1917-1919		318,180.00
Thirty-sixth Legislature, 1919-1920		
Acts of 1919, Chapter 3, Page 3:		
For repairs	200.00	

Acts of 1919, Chapter 168, Page 330:			
For emergency	11,900.00		
Acts of 1919, Second Called Session, Chapter 83, Page 268:			
For year ending August 31, 1920	49,534.80		
For year ending August 31, 1921,	40,130.00		
Conf. Woman's Home Total for 1919-1921 ..		\$101,764.80	
Acts of 1919, Chapter 120, Page 187:			
For deficiency	\$ 10,000.00		
Acts of 1919, Second Called Session, Chapter 22, Page 58:			
For deficiency	27,000.00		
Acts of 1919, Second Called Session, Chapter 83, Page 270:			
For year ending August 31, 1920	110,000.00		
For year ending August 31, 1921,	105,500.00		
Conf. Home Total for 1919-1921		252,500.00	
Grand Total for 1919-1921		354,264.80	
Thirty-seventh Legislature, 1921-1922			
Acts of 1921, First Called Session, Chapter 36, Page 68:			
For year ending August 31, 1922	41,345.00		
For year ending August 31, 1923	37,980.00		
Conf. Woman's Home Total for 1921-1923 ..		79,325.00	
Acts of 1921, Chapter 52, Page 105:			
For emergency		20,000.00	
Acts of 1921, First Called Session, Chapter 36, Page 70:			
For year ending August 31, 1922	103,045.00		
For year ending August 31, 1923	103,045.00		
Conf. Home Total for 1921-1923		226,090.00	
Grand Total for 1921-1923		305,415.00	
Thirty-eighth Legislature, 1923-1924			
Acts of 1923, Third Called Session, Chapter 26, Page 199:			
For year ending August 31, 1924	66,755.00		
For year ending August 31, 1925	43,580.00		
Acts of 1923, Third Called Session, Chapter 27, Page 232:			
For emergency	200.00		
Conf. Woman's Home Total for 1923-1925 ..		110,535.00	
Acts of 1923, Chapter 87, Page 180:			
For deficiency	\$ 13,950.00		
Acts of 1923, Third Called Session, Chapter 26, Page 200:			
For year ending August 31, 1924	127,170.00		
For year ending August 31, 1925	117,070.00		
Acts of 1923, Third Called Session, Chapter 27, Page 232:			
For emergency	24,800.00		
Conf. Home Total for 1923-1925		\$282,990.00	
Grand Total for 1923-1925		393,525.00	
Thirty-ninth Legislature, 1925-1926			
Acts of 1925, Chapter 195, Page 483:			
For year ending August 31, 1926	50,820.00		
For year ending August 31, 1927	46,220.00		
Conf. Woman's Home Total for 1925-1927 ..		97,040.00	
Acts of 1925, Chapter 193, Page 469:			
For emergency	24,620.00		

Acts of 1925, Chapter 195, Page 483:		
For year ending August 31, 1926	176,690.00	
For year ending August 31, 1927	172,690.00	
Conf. Home Total for 1925-1927		374,000.00
Grand Total for 1925-1927		471,040.00
Fortieth Legislature, 1927-1928		
Acts of 1927, Chapter 295, Page 459:		
For heating equipment	11,000.00	
Acts of 1927, First Called Session, Chapter 103, Page 447:		
For year ending August 31, 1928	50,710.00	
For year ending August 31, 1929	48,510.00	
Conf. Woman's Home Total for 1927-1929		110,220.00
Acts of 1927, Chapter 295, Page 459:		
For emergency	14,650.00	
Acts of 1927, First Called Session, Chapter 103, Page 445:		
For year ending August 31, 1928	\$128,100.00	
For year ending August 31, 1929	120,100.00	
Acts of 1927, First Called Session, Chapter 105, Page 485:		
For emergency	500.00	
Conf. Home Total for 1927-1929		\$263,350.00
Grand Total for 1927-1929		373,570.00
Forty-first Legislature, 1929-1930		
Acts of 1929, Third Called Session, Chapter 17, Page 465:		
For year ending August 31, 1930	76,330.00	
For year ending August 31, 1931	59,330.00	
Conf. Woman's Home Total for 1931-1933		128,450.00
Acts of 1929, Third Called Session, Chapter 17, Page 463:		
For year ending August 31, 1930	197,440.00	
For year ending August 31, 1931	187,190.00	
Conf. Home Total for 1929-1931		384,630.00
Grand Total for 1929-1931		520,290.00
Forty-second Legislature, 1931-1932		
Acts of 1931, Chapter 285, Page 645:		
For year ending August 31, 1932	62,200.00	
For year ending August 31, 1933	66,250.00	
Conf. Woman's Home Total for 1931-1933		128,450.00
Acts of 1931, Chapter 285, Page 643:		
For year ending August 31, 1932	187,300.00	
For year ending August 31, 1933	182,550.00	
Conf. Home Total for 1931-1933		369,850.00
Grand Total for 1931-1932		498,300.00
Forty-third Legislature, 1933-1934		
Acts of 1933, Chapter 107, Page 245:		
For year ending August 31, 1934	\$ 41,332.00	
For year ending August 31, 1935	41,332.00	
Conf. Woman's Home Total for 1933-1935		\$ 82,664.00
Acts of 1933, Chapter 107, Page 243:		
For year ending August 31, 1934	92,228.00	
For year ending August 31, 1935	81,278.00	
Conf. Home Total for 1933-1935		173,506.00
Grand Total for 1933-1935		256,170.00

The amendments to the statutes from time to time, as well as to the Constitution, have unfailingly increased the number of eligibles within the State. The original Act of 1898 provided that the veterans must have been residents of the State of Texas prior to 1880 and required the widows to have married prior to 1866; the Act of 1904 provided that widows must have been married prior to March 1, 1880; the Act of 1912 provided that the veterans must have been in Texas prior to 1890, and the widows must have been married prior to January 1, 1900, and must have been born prior to the year 1861; it is to be noted also that the Act of 1899 defined the word "indigent" as one destitute of property and means of existence, the Act of 1913 and each succeeding Act thereafter relaxed this definition of "indigent" as that word appeared in the Constitution, until the Act of 1931 omitted the definition entirely and, while very little attention was being paid to the indigency requirement under the statutory definitions of that word prior thereto, it has been totally disregarded since that time, although still a constitutional requirement. It is interesting to note that the Constitutional amendment adopted in 1924 granted the pension aid to indigent or disabled veterans who came to Texas prior to 1910, whereas the amendment adopted in 1928 provided that the pension aid may be granted to indigent and disabled veterans. The Act of 1917 was the first statutory reference to the provision for a mortuary fund, which was begun immediately after the enactment of the statute on the subject that year. Originally the Act provided for Thirty Dollars (\$30.00) and later this was raised to Sixty-five Dollars (\$65.00), and under the present Act this fund for the interment of the bodies of deceased veterans is One Hundred Dollars (\$100.00) each.

Under the 1924 amendment the new provision was that the veterans must have been residents of the State prior to January 1, 1910, and the widows must have been married prior to January 1, 1910, and must have been born prior to 1861; the Constitutional amendment of 1928 lifted every restriction except that of indigency, and imposed no requirement as to the time of residence within the State, date of birth or of marriage of the widow, and left the mat-

ter entirely within the discretion of the Legislature. Immediately following the adoption of this amendment the Legislature of 1929 enacted a statute which required that the veterans must have been residents of the State prior to January 1, 1920, the widows must have been married prior to January 1, 1925, and must have come to the State prior to January 1, 1920, and must have been born prior to the year 1873. The Act of 1930 provided that the veterans must have resided in the State ten years and the widows six years prior to the date of the approval of their application for pension aid.

The Act of 1931 provided that all applications theretofore approved remained approved and on the rolls, that subsequent applicants must show that they resided in the State prior to January 1, 1928, and must have married to a veteran prior to January 1, 1921, and been born prior to the year 1873.

From the foregoing it will be seen that with each amendment to the Constitution and to the statutes on the subject the restrictions have been raised, thus encouraging the application of veterans and their widows regardless of non-indigency, and almost regardless of length of time of residence within the State, with the result that notwithstanding the thinning of the ranks of the veterans themselves which the toll of the years has been taking, with the progressive increase in the rate of decease of the veterans because of advancing years, there has been no compensatory decrease in the number of veterans and widows on the rolls, so that the State now has on its rolls more than twice as many pensioners as any other Confederate State, and was at the same time the most thinly populated State in the Confederacy during the Civil War. We observe that the liberal policy of the State of Texas toward its pensioners has in all likelihood encouraged the migration of the veterans and their widows from other states to Texas during the last quarter of the century, thus placing upon this State the greater burden of providing for the worthy and beloved veterans of the Civil War.

It is apparent to the Committee that the present policy with reference to the administration of the pension fund, in view of the Constitutional limitations upon the appropriations for pension purposes restricting

the amount to be appropriated to the revenues derived from a tax levy of seven (7c) on the One Hundred Dollar (\$100.00) valuation, is disastrous and if continued will defeat its own purpose, namely the relief of the Confederate Veterans of the Civil, Mexican, and Indian Wars. This committee, therefore, is of the opinion that a change of policy is inescapable and after giving to the matter careful consideration, we offer two possible solutions to the problem:

1. The Legislature in 1932 authorized the transfer of Three Million Dollars from the State Highway fund to the Confederate pension fund as a temporary expedient. The Attorney General held under the terms of the resolution authorizing this to be done, that the Three Million Dollar fund so transferred was a revolving fund. As a result of this opinion none of that fund has been repaid as a credit to the Highway fund. There exists at this time in addition to the Three Million Dollars, as of August 31, 1935, an estimated sum of Two Million Dollars, or a total deficit of Five Million Dollars as of August 31, 1935. Taking five (5) years as the shortest practicable period in which to retire this overdraft, and to continue a modicum of relief to the pensioners, the fund would pay to the Confederates, Twenty-five Dollars (\$25.00) to single men and Fifty Dollars (\$50.00) to the married ones monthly and by paying to the widows a maximum of Twenty Dollars (\$20.00) per month allowing for a decrease of ten per cent (10%) per year at the estimated death rate, at the end of five years the deficit would be paid with the exception of the Three Million Dollar Highway revolving fund. By the elimination of an additional estimated net per cent (10%) as being non-indigent, the deficit could be retired in about four (4) years. We think the letter and spirit of the Constitution should be followed in this respect and that this elimination should be made. However, the adoption of this plan would not alleviate the condition of the pensioners who must now discount their warrants up to twenty per cent (20%), and in some communities cannot cash them at any discount rate.

2. An alternative to the foregoing would be for the Legislature to appropriate out of the general revenue at this time approximately Two

Million Dollars, leaving the Highway fund advancement as a revolving fund, thereby placing the warrants on a cash basis. It occurs to the Committee that the situation in which the veterans find themselves, having to discount their warrants so drastically, in view of their advancing ages, the high living costs coupled with existing economical depression and low earning power of relatives of many of the veterans, is a calamity that fall little short of, if not entirely within the contemplation of Section 51 of Article 3 of the Constitution. As the exigencies of the moment may be said to constitute a "public calamity," then we have an exception to the Constitutional inhibitions against the appropriation of public moneys to individuals, et cetera; the Legislature would be authorized to make a direct appropriation out of the general revenues deriving to the State for this purpose. If this should be done, the Committee would recommend that the statute be amended so as to provide for a monthly stipulation of Twenty-five Dollars (\$25.00) to single veterans, Fifty Dollars (\$50.00) to married veterans, (which is the present statute on the subject) and reduce the payments to widows to Twenty Dollars (\$20.00) per month, and eliminate the non-indigent widows. This would keep the fund on a cash basis and would provide practically as much money to the widows as they now are receiving net from their warrants, providing full value of the warrants to the veterans, and creating a surplus out of which to begin the repayment of the advancement from the Highway Commission fund.

We think the second alternative the more acceptable plan of procedure and are submitting herewith a bill to accomplish that result.

The Ad Valorem Tax.

This system of taxation, commonly known as the "property tax," has been one of the main sources of revenue of the State and its smaller units of government since the present constitution was adopted in 1876. That it has its virtues as well as vices is well known to every member of the Legislature. It is not the purpose of this Committee to recommend its complete abolition, as some advocate at this time, but rather to point out some of the inequities and abuses that have sprung up under it

and to suggest some measures referred to in other captions in this report which will strengthen and support its base by a widening and more equitable process.

At the time our constitution was written the ad valorem tax served well the needs of that day, for State and local purposes. Indeed, our whole domain at that time, was of pastoral and agricultural aspects. During the major part of a century since Texas was admitted to the Union, and particularly during the past half century, economic changes have taken place so rapidly as to demand a revamping of our tax program. We are facing a crisis now, and some move must be made to correct existing evils if a calamity is to be averted. With multiplied millions now figuring in the deficit, which is increasing from year to year, and our real estate burdened to the point of confiscation, it is the hope of this Committee that this Legislature will give serious attention to the recommendations made herein with a view of lightening and more evenly distributing the burdens resting upon our real property.

If the tax burden is to be spread fairly among all citizens of the State, as this Committee believes it should be, it is necessary to resort to supplementary taxes in order to form a broader and more satisfactory base. This for the very patent reason that tangible property should not be the sole measure of the taxing yardstick. An ever increasing income is derived from services and things not directly or indirectly connected with fixed properties. Those who receive this class of income should bear some of the burdens as well as the benefits of government, and should be made to pay more than they now do towards its support.

Supplementary taxes to the ad valorem are important, and at this stage absolutely necessary, if our obligations are to be met and running expenses supplied. The compelling reason that condemns the ad valorem tax in this State as a main base of income, is the inelastic way it is written into our constitution. It says, among other things, that "all taxes shall be equal and uniform," when as a matter of fact everybody knows that this injunction is impossible of performance, and that

this "equal and uniform" clause should be stricken out, or more clearly defined. While this rule has been deleted from a majority of the State constitutions, it still persists in Texas, where it was written fifty-eight years ago. Furthermore, our constitution prohibits a proper classification of property, and it is the opinion of this committee that this provision alone accounts for the fact that a vast amount of property subject to taxation fails to appear on the assessor's rolls.

Constitutional restrictions and limitations in the field of taxation are necessary and desirable as a protection against exorbitant abuses. They guarantee a stability, as a guide to business and industry, which must not be overlooked or minimized. Even some degree of inequality in a system of taxation is preferable to a plan which does not insure a fixed order of permanency; but a system that is too rigid in its operation runs to another and worse extreme. In our rapidly changing commercial and industrial life, it is certain that more harm has been done by rigid constitutional restrictions, than by changes made by Legislatures in rapid succession. It is beyond the bounds of human knowledge to say that the wisdom of this day will meet the needs of the next generation. The best system of taxation that could be setup is, in our judgment, one that would be susceptible of frequent changes; and one of the worst is that which is beyond the power of the Legislature to amend.

The inflexibility of this "uniform" tax provision in our constitution makes it impossible of permanence on a basis of strict construction and the fact that no clear definition in the constitution, statutes, or court decisions, as to what "all taxes shall be equal and uniform" means, gives rise to abuses and inequalities in every tax division of the State. A law passed recently bringing pipe lines under the provision of our intangible tax laws is now being attacked on the grounds of a violation of this provision of the State constitution, and if the contention of the plaintiffs in this suit is upheld, all of our efforts to lay taxes under this "uniform" clause in the constitution will be struck down. Then

we will be forced to cease our efforts in trying to widen our tax base under the constitution as it is now written. It is interesting to note here that the ad valorem, or property, tax did not come into general use until after the colonies had ceased to exist and merged into states. It is, therefore, strictly an American plan and was undoubtedly adopted immediately after the Union was formed and vested property rights became fixed because it formed a certain way to secure needed revenue for public expenses. The history of its use and its failure to meet present needs without support, is clearly defined alike in every state in the Union. At first when there was nothing to tax but land and live stock, it was easy to lay a tax that would be "equal and uniform"—this for the reason that a vast number of property rights had not come into existence and no classification was necessary. As the states advanced these rights became more numerous and complicated and at this writing every one of the states has in some degree widened the base of taxation by giving the ad valorem support from other fields, such as the sales tax, the income tax, the gross receipts tax, the natural resources tax, ad infinitum. This has been necessary in order to produce a system of taxation that would not be lop-sided and that would distribute the burden as equitably as possible among all the people who own property or who receive a specific income.

Texas has been derelict in not making prompt efforts to support this her ancient tax base, and for that reason has come to the stand now where she is wholly unable from that source to extract enough funds to cover the running expenses of our State government; and by reason of this dereliction our real estate holdings, which form the chief source of our ad valorem taxes, has been brought to a state of prostration and unless some relief is given on this class of property the time is near at hand when this class of property in general will be a liability instead of an asset. The point of confiscation has already been reached for the reason that a vast amount of the realty holdings in Texas yields no income and in many

instances does not produce enough to cover taxes, insurance and upkeep. Among the hundreds of letters received by this committee and scores of witnesses who appeared before it, the testimony was unanimous in expressing the hope that this Legislature would be able to find and set in motion some means by which the State ad valorem tax at least may be wiped out or materially lightened. In fact, it was the opinion of many of them that the ad valorem tax for all purposes should be repealed and some other and more equitable system set up to take its place. This Committee does not recommend an outright repeal of the ad valorem tax at this time, but would like to see it removed as a source of revenue for the support of the State government, and other forms of taxation be submitted in lieu thereof.

It is further the opinion of the Committee that if the Legislature will pass the bills and put into effect the recommendations made elsewhere in this report, that it can be done. We invite the attention of the members of the Forty-fourth Legislature to a serious consideration of the ad valorem tax as it is applied in this State and especially to the multitude of inequities occurring under it. It might be enforced with the proper degree of care against real estate holdings, based on income received or arising out of those holdings rather than upon value. "Value" is so changing and ephemeral in its nature that it would be impossible to do equity in making assessments on that basis. The greater trouble, however, in administering an ad valorem tax, lies in the attempt to apply it on personal property. This committee believes that more than one-half of the actual personal property escaped from taxation, and that it is impossible to cure this situation under the provisions of our present constitution. The Committee points out these obstacles in the way of enforcement of ad valorem tax, not to militate against it, nor to indicate that it should be rooted out as a source of revenue for the State. We do this merely to bring to the attention of the Legislature the fact that it bears down out of all proportion on real estate and other fixed properties and that it is not, and cannot be, justly ad-

ministered under the constitution and that it needs a much broader supporting base. This in view of these defects is mentioned with the hope that the Legislature will give attention to curing the inequities and will set up a much broader base in support of the ad valorem tax.

TAXES ON NATURAL RESOURCES.

In Section 3, Article 7047-B, Title 122, Revised Statutes of 1925, there was levied and collected a tax equivalent to two per cent (2%) of the gross market value of the total amount of natural gas produced and saved within this State for the fiscal year, 1933-1934. According to the Comptroller's records, there was collected a total of \$188,077.27 on natural gas and \$40,879.10 on casing-head gas. We think this tax is entirely too low and are of the opinion that it should be increased. Considerable difficulty was encountered by the committee in agreeing upon a basis for a fair, equitable, and practicable tax on gas. This is partly attributed to a lack of uniformity in the practice of those engaged in production and marketing of gas. Long range contracts between transporters and producers, in many instances, impose upon the producer the burden of payment of all taxes. The latter frequently receives as low as two cents (2c) per thousand cubic feet gross for his product. Manifestly, such a producer is unable to pay a high occupation tax on his gas. Then the question of marginal gas wells arises where profits from operation are in many instances negligible, and in others non-existent. Many producers in various sections of the State are using such gas for the extraction of gasoline, others for marketing purposes, or burning for carbon black, or for both such purposes, and therein converting to beneficial uses a gas that otherwise would not be marketed or marketable.

We have given further attention to the subject of wanton waste of natural gas in certain sections of the State including the Panhandle area. We find that fifteen hundred million cubic feet of gas per day is being processed for gasoline content and the residue blown into the air, in the Panhandle area alone, and the taxes derived on the twenty per cent

(20%) gross market value of this gas is so low as to be negligible. The committee recommends that appropriate measures be enacted to prohibit this wastage.

We think, and we so recommend, that an occupation tax on the production of natural gas in this State should be increased from twenty per cent (20%) of the gross market value to one-fifth (1-5) of one cent (1c) per thousand cubic feet, or fractional part thereof. Assuming that the wholesale wastage of natural gas shall be hereafter prohibited and calculating upon the basis of the gas produced for domestic, industrial and commercial purposes, stripping natural gas content and burning for carbon black within reasonable conservative restrictions, should yield a gross revenue to the State in the sum of One Million Five Hundred Thousand Dollars (\$1,500,000.00) per year.

OIL.

The gross production or occupation tax on oil is now fixed at two per cent (2%) of the gross market value at the well, with a minimum of two cents (2c) per barrel. Notwithstanding the fact that the oil industry already shares a substantial part of the total cost of operating the State government, (they claim to pay 25% of all ad valorem taxes), exclusive of gasoline tax paid by the consumer for highway bond and school purposes, it, nevertheless, occurs to this committee that the occupation or oil producers tax should be increased to a minimum of three cents (3c) per barrel or three per cent (3%) of the market value at the well, whichever is highest. It would seem to be a sound public policy to make this increase in view of the fact that the State of Texas is the principal oil producing State and, further, it is probable that ninety per cent (90%) of the oil produced in this State is consumed beyond its borders, domestic and foreign.

Considerable emphasis was placed upon the advisability of increasing the gasoline tax from four (4) to five (5) cents. Many citizens appeared before the committee advocating such an increase and urging that additional levy be placed into a special fund for the purpose of as-

suming payment of interest and principal on bonds issued by county and political subdivisions for the purpose of constructing public roads that are not a part of the designated State highway system. Others urged that the increase be placed in the General Revenue Fund, while still others advocated the diversion of one cent (1c) of the levy now collected, from the highway fund and placed in the general fund. We are of the opinion that none of these suggestions should be followed; that the present tax of four cents (4c) per gallon with an additional Federal tax of one cent (1c) is high enough under present conditions; that it would be unwise and unsound to divert one cent (1c) of the present gasoline tax for general fund purposes, for to do so would be to suspend State construction entirely and to lose one-third of the fund that otherwise would be available from Federal aid for highway construction in this State, because of the provisions contained in the public number 393, Seventy-third Congress, Section 12.

We have considered the advisability of an increase in production tax on sulphur from seventy-five cents (75c) per ton to One Dollar (\$1.00) per ton. Information and figures were submitted to the committee tending to show that the sulphur industry is now paying approximately twelve per cent (12%) of the gross value of the product in taxes. Representations also were made to the committee and we have not had time to verify them as yet, to the effect that because of the special tax provision on sizable sulphur deposits in the State of Louisiana and a Two Dollar (\$2.00) per ton advantage of the producers in sulphur in that state in freight differentials, if true, would indicate the possibility of the shifting of the sulphur industry from the Gulf Coast Country in Texas to the State of Louisiana. In view of these things, the committee is of the opinion that the Legislature should investigate immediately these representations to ascertain whether or not the present tax on this important

natural resource is adequate and fair.

OTHER NATURAL RESOURCES.

The State of Texas has great quantities of other natural resources not yet being developed in very great quantities and which will be developed more generally within the near future. For that reason the committee is of the opinion that the Legislature should give thorough study to the matter of a uniform policy with reference to severance tax on natural resources so as to make such tax levy apply with uniformity to all resources, taking into consideration the relation between tax and market value of each of the natural resources so developed and used. This committee does not have time to work out such a program of taxation.

PUBLIC UTILITIES.

Lack of facilities and limitation of time prevented the committee from going into the question of whether or not the various public utilities are paying their just share of the cost of the government; however, we find that all utilities, in setting up valuation structures for rate making purposes, included items for values on easements and right of ways, whereas, we failed to find where any of these values are rendered for taxation; these include underground cables, conduits, pipes and equipment, surface space and area supporting overhead lines, poles and structures. We think that if these rights or easements have value for rate making purposes as a charge against the consumer, that they are valuable also for taxation purposes. We, therefore, recommend that a tax be levied on each mile or fractional part thereof on such easements and right of ways in this State.

INTANGIBLE WEALTH.

Government statistics estimated the wealth of Texas at \$12,785,000,-000.00 in 1929-30. From the same source the wealth of Texas is estimated at \$10,250,000,000.00 in 1933. The decrease is due to depreciation in values, especially real estate.

From the Comptroller's report for the year 1933 the total assessment of all property for the purpose of levying the State ad valorem tax was \$3,764,139,512.00

The \$3,000 homestead exemption amounted to approximately	566,022,061.00
Leaving subject to taxation	\$3,198,117,451.00
Of the above amount real estate was assessed for	\$2,171,789,008.00
All other property was assessed for	1,026,328,443.00
	<u>\$3,198,117,451.00</u>
The percentage borne by real estate was	64.7 %
Other property	35.3 %
	<u>100.0 %</u>

In February, 1934, the State Auditor and Efficiency Expert made a careful study of the percentages of actual and true value used by various counties for tax purposes as shown on the 1933 tax roll. A copy of his report to the Governor is before the committee and shows that property in various counties is rendered for taxation at from 25% to 100% of its value. The Auditor states that property in Texas is assessed at approximately 50% of its value. On this basis real and personal property in Texas would represent in wealth \$7,528,279,024.00. This amount subtracted from the total wealth above given would leave \$2,721,720,976.00 which would seem to be the amount of intangible wealth in this State such as cash in banks, notes, mortgages, stocks, bonds, et cetera. The Banking Commissioner tells us that there was deposited in all the banks in Texas according to reports made on October 17, 1934, \$851,183,085.00 as follows:

In National Banks ..	\$717,490,000.00
In State Banks	130,997,103.00
Morris Plan Banks ..	1,857,899.00
Restricted Banks	838,083.00

The present law requires that cash in banks should be rendered for taxation. This law could hardly be written any more specifically than it is now. The law is almost absolutely ignored as shown by the fact that only 1.12% of such money was rendered for taxes for the year 1933. If it were endeavored to enforce the rendition of this case, it would simply be removed from the banks and this seems to be just one of those cases where by mutual consent the law is disobeyed.

If we subtract from the \$2,721,720,976.00 intangible assets above mentioned, the \$851,183,085.00 cash

in banks, we will have left \$1,870,537,891.00 which must be in notes, mortgages, bonds, et cetera.

Dr. E. T. Miller of the University of Texas furnishes us with data taken from the U. S. Government publication entitled "Statistics of Income for 1931," U. S. Treasury Department, Bureau of Internal Revenue, Washington, 1933.

"Under individual returns from Texas for the Federal income tax, page 69, the dividends on stock of domestic corporations are reported to be \$43,952,000.00; the interest and other income, page 70, \$40,430,000.00. This is interest and income not otherwise classified. The presumption is that it is almost wholly interest on bank deposits, notes, corporation bonds, et cetera, for all the other chief sources of income are separately classified.

"To get at the capital values producing a given amount of income, one capitalizes the amount of income at an assumed rate of interest. Assuming a rate of 6%, the problem then is to determine what sum which at 6% will produce the stated income. One will divide the above amounts by .06.

\$43,952,000 divided by .06 gives \$732,533,333.

\$40,430,000 divided by .06 gives \$673,833,333.

"Stocks, bonds, mortgages, deposits at interest would have a capital or property value of \$1,411,366,666, for this sum of 6% yields \$84,382,000 of income which is the sum of dividends and interest reported.

"Not all of the stock would be taxable under our property tax, for our law provides that when the property of a Texas corporation is taxed under the Texas property tax, the shares of stock are not taxable.

"How much of the \$732,533,333 of stock would be subject to this exemption I do not know. Any guess might be wild. The Texas State Comptroller's Report gives the amount of stocks and bonds assessed for 1931 to be \$2,120,722. Whether one would guess that fifty per cent or twenty-five per cent of the \$732,533,333 would be exempt, the amount of evasion would still be staggering.

"The \$673,833,333 of interest yielding property does not include Texas county, city, and district bonds, for the income from these are not taxable under the Federal income tax, but the bonds are subject to our property tax. There should be added, therefore, to the \$673,833,333 an unascertainable amount of such bonds owned by individuals subject to the Texas property tax.

"The Comptroller's report gives the following as the amounts assessed for 1931:

Credits (vendor's lien notes and the like).....	\$11,275,489
Bonds and stock	2,120,722
Bank shares	63,134,907
	<hr/>
	\$75,531,118

"Wages and salaries reported from Texas for the individual income tax amounted to \$191,126,000.00, and rents and royalties to \$44,719,000.00."

The above figures are the best estimate we can get of the amount of stocks, bonds, et cetera, held by Texas investors. It is absolutely impossible to determine how many of these bonds are government bonds not subject to taxation at all nor how many of them are municipal bonds which are tax free. A great deal has been said about taxing the intangibles in Texas and they certainly ought to be taxed, but as far as this committee has been able to ascertain, about the only intangibles there is any chance to reach by taxation are notes and mortgages, and the State of Michigan seems to have solved that problem about as satisfactorily as any other state called to our attention. That state places a stamp tax on all notes, bonds, mortgages, et cetera, \$5.00 per \$1,000.00. We are recommending this for further careful study. Our time has

not permitted the writing of any bill on this subject.

Hon. John G. Willacy, formerly State Senator and Tax Commissioner of Texas on two different occasions, has the following to say about intangible wealth:

"There is nothing unreal nor mysterious about intangible wealth. From an earning standpoint it is very real indeed; much more so than is real property. Possessing earning power it is valuable and having value it should be taxable and in some proper manner taxed. However there is a specific difference between intangible value arising directly from the uses to which property is put, and personal intangible wealth in the form of interest-bearing obligations and shares of stock. For taxation purposes the former has its situs in the State wherein the property from which it owes its being is situated. That of the latter is in the State in which its owner resides.

"In theory,—in fact by the plain provisions of our organic law,—both are taxable alike. Yet in practice they are not. Intangible value arising directly from the uses of property is a part of the going concern value of the property itself and may be taxed ad valorem at prevailing rates, both State and local. But there are economic reasons why personal intangibles, such as interest-bearing obligations in particular, may not.

"Furthermore, the greater part of such intangibles are owned and have their situs in other States and may not be taxed for the benefit of this State. The lesser part, that which has its situs in this State, may be taxed but, as sixty years, approximately, of experience has taught us, not successfully at prevailing ad valorem rates. In some communities the combined ad valorem rate, State and local aggregates 4½% upon assessed value. To impose such rate, or even 50% of it, against such personal intangibles could not result otherwise than either to force interest rates to a maximum or else drive credit beyond the State; either of which would be inimical to the general welfare. And yet our organic law recognizes no distribution as between taxables and permits no deviations.

"Truth is, this particular class of intangible wealth should be taxed for the benefit of the State alone. The instruments, themselves, are largely held in a few communities but the money with which to pay them, or their interest charges, is earned in many communities.

"In many states, in lieu of an ad valorem tax, a registration tax is imposed. In some other states a low rate ad valorem tax is imposed. A registration tax, it is true, may be imposed only upon such instruments as are registered but it is well to keep in mind that it will attach to all instruments to be placed of record whether destined to be held either within or without the State. It would not be an unreasonable exercise of the taxing power. Protection afforded by the public records is a service of far greater value than may be measured by recording fees presently charged. But,—there stands the organic law. As a lieu tax,—in lieu of ad valorem,—it may not be used except by constitutional amendment it first be authorized."

We further quote from the report of the Tax Survey Committee, created by the First Called Session of the Forty-second Legislature, page 261, as follows:

"In this connection the following general conclusions may be reached:

1. The general property tax system has proven a failure in reaching money and other intangibles;

2. The Constitution of the State of Texas prohibits the taxation of this type of property at a different rate; and

3. The taxation of money, or any other class of property, without regard for its productivity, is a capital levy and therefore ultimately confiscatory.

4. Our present system places the heavy burden of our increasing and multiplying taxes on approximately one-half of our property values, namely, real estate and what is generally denominated as tangible property, and permits the other half to practically escape its just share of the load, which has resulted in multiplying the load on the first half,—land, homes, and other visible entities,—to the extent, in many cases, of ruin and disaster. To devise some equitable method of compelling the rendition and assessment

of the vast amount of property values that are escaping, is, apparently, the greatest problem with which we are confronted. If the holders of intangible personal property and assets in Texas were forced to do their legitimate part, the rendition of the State would obviously be materially increased and perhaps doubled, and the average rate on all property greatly reduced. By reaching and assessing, through a general tax law or method of computation, only that property which is so obviously escaping, we could actually reduce the general level of taxation in the State, and it would not be necessary to pile additional discriminatory special tax burdens on industries and activities which are now bearing their just and proportionate share of the burden of taxation.

"It is easy to decry and point out such a condition as that hereinbefore delineated, but it is difficult to suggest a remedy. Even though we make many mistakes in so doing, it is better to attempt to offer recommendations of a constructive character, rather than to dodge the issue and content ourselves with pointing out the many inequalities, discriminations, and lack of uniformity in our present antiquated system of taxation.

"As a result of our researches, we find that these questions have been answered in the most progressive states, in matters of taxation, by the two following methods or formulas:

- (1) To attempt to reach at least the income from this vast amount of productive personal property which is escaping, by the imposition of some form of taxation based on net earnings, either through the employment of a direct income tax, or some formula for computing net income as in the case of the formula now used in Texas for computing the net income of railroads under the intangible tax; or

- (2) By the imposition of a classified property tax such as is the system now employed in Ohio, supplementing the same with some form of registration tax."

THE DELINQUENT TAX.

According to the report of the State Auditor and Efficiency Expert under date of July 12, 1932, ad va-

lorem taxes delinquent to the State amounted to approximately \$65,368,253.72, one-fourth of which is on personal property, while taxes delinquent to subdivisions of the State approximated \$90,000,000.00. Meantime, deficits in State funds of more than \$15,000,000.00 reported by the same authority are figures alarming to all those interested in the proper functioning of State departments and institutions. Counties, cities and school districts find themselves confronting serious financial problems, as well as high tax rates and incessant demands for new forms of taxation. Those who are paying their taxes are compelled, through failure of others to meet their obligations, to pay more than their just proportions of the cost of government, and tax delinquency is a growing evil. The failure of the State and its subdivisions to reduce delinquencies encourage more and more taxpayers to neglect their obligations. The amount of delinquencies alone sufficiently proves the necessity for more efficient methods and a more just and firm policy of collection.

In some cases, tax delinquencies can be accounted for by unfavorable commercial, agricultural and business conditions, but in most prosperous sections of the State delinquencies show high ratio to collections. A survey conducted last year by the Industrial, Commercial and Agricultural Conference revealed that delinquencies were very great in certain counties in which there were numerous large landholders. In one South Texas county delinquencies exceeded collections by more than 300.00. In another county, famous as one of large landholders, delinquencies exceeded collections by above \$10,000.00. In the most populous Texas county tax payments were not equal to twice the amount of taxes unpaid. In the county second in population delinquencies amounted to one-half of the collections, while in the third most populous county delinquencies equalled seven-eighths of the amount collected. If it was desired to exaggerate the delinquent tax situation it would be easy to cite numerous cases in which delinquencies were in excess of current collections. Thus in one county in 1933, collections amounted to only

one-fourth of current taxes, and in another delinquencies totalled more than thirty times the amount of annual collections. These, of course, are extreme cases. Taking the State as a whole, the survey made last year showed taxes delinquent were about twice the amount of taxes actually collected. Since that time the general situation has grown worse. The Industrial, Commercial and Agricultural Conference survey indicated delinquent taxes in Texas amounting to \$120,000,000.00. Later estimates, as has been shown, place the total delinquencies at \$150,000,000.00 plus.

The committee is greatly indebted to Mr. L. P. Gabbard of College Station, Texas, for a copy of an exhaustive study of the subject of tax delinquency made under Mr. Gabbard's direction. From his survey we quote as follows:

"There is outstanding in Texas today delinquent taxes amounting approximately to \$141,783,000. This amount has accrued since 1885, and the serious aspect of it is that tax delinquency has more than doubled since 1931. The increase in tax delinquency of farm real estate has been especially rapid during the past few years. For example, the number of farms becoming delinquent in 120 representative counties in Texas increased from 33,267 in 1928 to 124,192 in 1932, an increase of almost three-fold. The acreage delinquent showed an even greater increase; 4,588,000 acres in 1928 and 32,603,000 in 1932, a six-fold increase. The annual amount delinquent on farms in these counties was 6 1-3 times in 1932 what it was in 1928."

Quoting again from the Gabbard report:

"Table 2 shows a summary of delinquent ad valorem and poll taxes owing the State and counties from 1885 to 1933, inclusive, classified as to 'solvents' and 'insolvents.' Of the \$90,323,306 delinquency accruing during the period, 74.4 per cent falls into the 'solvent' class and 25.6 per cent into the 'insolvent' class. As to collections it will be observed that 35.7 per cent of all delinquency was collected during the period, 45.1 per cent of the 'solvent' class and 8.4 per cent of the 'insolvent' class. Thus it is seen that we have not been able to collect

more than 8.4 per cent of 'insolvent' delinquency, which class makes up 25 per cent of the total delinquency. If such property is to be taxed, obviously, a more direct and certain method must be employed. For example, why not collect the property tax on automobiles at the time the license is issued."

The survey referred to showed that in the average county studied, five per cent of the delinquent taxpayers owed thirty-five per cent of delinquent taxes and that in the more populous counties six per cent of the delinquents owed forty-six per cent of the delinquent taxes, thus proving that many large property holders were not paying their taxes and that a loose policy of collection was not necessary to protect small homeowners. It may be conceded that, in a number of agricultural counties in which the average holding is small, there is real inability to pay, but it is equally true that a large proportion of our delinquent taxes is owed by people who are able to pay. Many of these people are paying taxes to the Federal government, while falling behind in their State and local taxes.

Relief for distressed taxpayers is desirable, but we have been overlooking the fact that we are encouraging some taxpayers to neglect their taxes and cause others to make sacrifices in order to pay theirs.

Millions of dollars of our delinquent taxes are owed by corporations of one kind or another which continue to derive profits from the very citizens whose tax burdens have been made heavier by the corporations' delinquencies. It is a self-evident proposition that any percentage of delinquencies means a larger burden for those who pay their taxes. In a county where one-half the owners of property do not pay their taxes, the owners of the other half must of necessity pay twice as much as they ought to pay. To permit the present situation to continue, is to penalize the more public-spirited citizens and those most anxious to keep their homes free of debt.

The imposition of new taxes could only result in further burdening our actual taxpayers. It is manifestly absurd for any state to make the confession of impotence which would be implied in the adoption of new taxes with so vast a sum in tax de-

linquencies outstanding. If the State and its various subdivisions must lost so great a sum due under established forms of taxation, what hope can there be of relief for them under new and untried schemes of taxation? It would be even more unjust to increase existing tax rates, or to raise assessments, while allowing delinquent taxes to go uncollected.

It is reasonable to suppose that under an efficient and vigorous tax-collecting policy, which would secure collection "From Those Able to Pay," at least one-fourth of the outstanding delinquencies could be collected. If one-fourth of the taxes now delinquent could be collected, not only the State but practically all of its political subdivisions could be operated on a cash basis.

The need for legislation to do away with numerous obstacles to expeditious collection of delinquent taxes was recognized by the people in the adoption, in 1932, of a constitutional amendment. (Section 13, Art. 8), providing for the speedy sale, without the necessity of a suit in court, and for giving tax collectors authority to make such sales themselves under regulations protective of the rights of property owners. In line with the purposes of this amendment, the Tax Program Committee has prepared a bill which it believes will go far toward curing the delinquent tax situation without imposing undue hardships upon taxpayers.

The committee believes it neither necessary nor proper to resort to unduly harsh measures. Some part of our tax delinquencies are of such long standing that they might well be forgiven. There can be no real advantage to State or local governments in attempts to collect ancient penalties and to secure judgments which would be profitable only to officials. What is needed in legislation which will insure that collecting agents shall proceed, without favoritism, to the collection of actual delinquencies which have accrued in the last fifteen years: legislation which will do away with cumbersome processes, not only for the sake of speedy collection, but in order that the State and local governments may receive the greatest possible portion of the money collected and the taxpayers be required to pay the least

amount in excess of the actual tax, and finally, which will provide for redemption, within a reasonable period and without excessive cost, of property sold for taxes.

Accordingly, the committee's bill proposes to simplify procedure in the sale of property for delinquent taxes, to facilitate the borrowing of funds to meet tax assessments, and to decrease the cost of redemption. It provides for the creation of a plat and ownership record and for vacation of the office of assessor and collector upon failure of the holder of that office to carry out the provisions of the bill.

A STATE INCOME TAX.

Due to the increased cost of the State and subdivisional governments during the past fifteen years, each Legislature is confronted with the

necessity of finding new sources of revenue. Among those taxes which have been heretofore laid are the property or ad valorem tax, the inheritance tax, various license and franchise taxes, and gross receipts taxes. Texas has not as yet seen fit to levy a State income tax, which includes all taxes that depend upon the size of the income of the taxpayer. It is not the purpose of this committee to recommend the enactment of an income tax in this State, but to call attention to its workings in other states where it has been adopted as a source of revenue, to some of the difficulties arising out of its operation, and to the benefits as well as the expenses incurred in its enforcement. For the benefit of those members of the Forty-fourth Legislature who may desire to study the operation of this tax in other states, we submit herewith the following five tables:

TABLE NO. 1.

State Individual and Corporate Income Tax Rates and Exemptions As of September 1, 1934.

State	Rates				Exemptions (income except as indicated)		Remarks
	Individual	Corporate		Individual	Corporate		
Alabama	First \$1,000 \$1,000-\$3,000 \$3,000-\$5,000 \$5,000-\$8,000 \$8,000 up	1 % 2 % 3 % 4 % 5 %	3%	S \$1,500 M \$3,000 D \$300	\$1,000		Amendment approved July 18, 1933
Arizona	First \$2,000 \$2,000-3,000 \$3,000-4,000 \$4,000-5,000 \$5,000-6,000 \$6,000-7,000 \$7,000-8,000 \$8,000-9,000 \$9,000 up	1 % 1½% 1½% 2 % 2½% 3 % 3½% 4 % 4½%	First \$1,000 \$1,000-2,000 \$2,000-3,000 \$3,000-4,000 \$4,000-5,000 \$5,000-6,000 \$6,000 up	1 % 2 % 2½% 3 % 3½% 4½% 5 %	S \$8.00(tax) M 17.50(tax) D 4.00(tax)	None	
Arkansas	First \$3,000 \$3,000-6,000 \$6,000-11,000 \$11,000-25,000 \$25,000 up	1 % 2 % 3 % 4 % 5 %	2%	S \$1,500 M \$2,500 D \$400	\$1,500		
Calif.			2% Minimum \$25.00			None	Franchise tax
Conn.			2% Minimum \$20.00			None	
Delaware	First \$3,000 \$3,000-10,000 \$10,000 up	1 % 2 % 3 %		S \$1,000 D 200	None		
Georgia	First \$5,000 \$5,000-10,000 \$10,000-15,000 \$15,000-20,000 \$20,000 up	1 % 2 % 3 % 4 % 5 %	4%	S \$1,500 M 3,500 D 400	None		
Idaho	First \$1,000 \$1,000-2,000 \$2,000-3,000 \$3,000-4,000 \$4,000-5,000 \$5,000- up	1 % 2 % 3 % 4 % 5 % 6 %	First \$2,000 \$2,000-4,000 \$4,000-6,000 \$6,000 up	1 % 2 % 3 % 4 %	S \$ 700 M 1,500 D 200	None	

TABLE NO. 1—Continued.

State Individual and Corporate Income Tax Rates and Exemptions As of September 1, 1934.

State	Rates		Exemptions (income except as indicated)		Remarks
	Individual	Corporate	Individual *	Corporate	
Iowa	First \$1,000 1 % \$1,000-2,000 2 % \$2,000-3,000 3 % \$3,000-4,000 4 % \$4,000-5,000 5 % \$5,000 up 5 %	2 %	S \$ 6.00 (tax) M 12.00 (tax) D 2.00 (tax)	None	Effective Jan. 1, 1934
Kansas	First \$2,000 1 % \$2,000-3,000 2 % \$3,000-5,000 2½ % \$5,000-7,000 3 % \$7,000 up 4 %	2 %	S \$ 750 M 1,500 D 200	None	
Louisiana	First \$10,000 2 % \$10,000-50,000 4 % \$50,000 up 6 %	4 %	S \$1,000 M 2,500 D 400	\$3,000	Constitutional amendment approved November, 1934
Mass.	1½ % on earned income and annuities 3 % on capital gains 6 % on interest and dividends	2½ %	S \$2,000(1) M 2,500 D 250	None	Excise tax on corporations
Minn.	First \$1,000 1 % \$1,000-2,000 1½ % \$2,000-3,000 1½ % \$3,000-4,000 1½ % \$4,000-5,000 2 % \$5,000-6,000 2½ % \$6,000-7,000 3 % \$7,000-8,000 3½ % \$8,000-9,000 4 % \$9,000-10,000 4½ % \$10,000-up 5 %	Same as individuals	S \$1,200 M 2,000 D 250	\$1,000	Privilege tax on corporations
Miss.	First \$2,000 2½ % \$2,000-5,000 3½ % \$5,000-15,000 5 % \$15,000 up 6 %	Same as individual rate	S \$ 750 M 1,500 D 200	\$750	
Missouri	First \$1,000 1 % no credit \$1,000-2,000 1½ % \$5.00 credit \$2,000-3,000 2 % \$15.00 credit \$3,000-5,000 2½ % \$30 credit \$5,000-7,000 3 % \$55.00 credit \$7,000-8,000 3½ % \$90.00 credit \$9,000 up 4 % \$135.00 credit	2 %	S \$1,000 M 2,000 D 200	None	
Montana	First \$2,000 1 % \$2,000-4,000 2 % \$4,000-6,000 3 % \$6,000 up 4 %	2 %	S \$1,000 M 2,000 D 200	None	License tax on corporations
New Hampshire	Average property tax rate throughout the State	Same as individual rate %	None	None	Applies only to dividends and interest
New Mexico	First \$10,000 1 % \$10,000-20,000 2 % \$20,000-100,000 3 % \$100,000 up 4 %	2 %	S \$1,500 M 2,500 D 200	\$1,000	
New York	First \$10,000 3 % \$10,000-50,000 5 % \$50,000 up	4½ % Minimum \$25.00	S \$1,000 M 2,500 D 200	None	Personal rates are temporary. Franchise tax on corporations

(1) \$1,000 for a single person and \$1,500 for a married person in case of interest, etc.

S indicates single person. M indicates married person. D indicates dependent person.

State	Rates		Exemptions (income ex- cept as indicated)		Remarks
	Individual	Corporate	Individual	Corporate	
North Carolina	First \$2,000 3 % \$2,000-4,000 4 % \$4,000-6,000 5 % \$6,000 up	6%	S \$1,000 M 2,000 D 200	None	
North Dakota	First \$2,000 1 % \$2,000-4,000 2 % \$4,000-5,000 3 % \$5,000-6,000 5 % \$6,000-8,000 7½ % \$8,000-10,000 10 % \$10,000-15,000 12½ % \$15,000 up 15 %	3%	S \$ 500 M 1,500 D 200	None	
Ohio (1)	5 %	5%	None	None	Tax applies to income on intangibles only.
Oklahoma	First \$2,000 1 % \$2,000-4,000 2 % \$4,000-7,000 3 % \$7,000-10,000 4 % \$10,000-14,000 5 % \$14,000 up 6 %	Same as individuals	S \$1,000 M 2,000 D 500	None	
Oregon	First \$1,000 2 % \$1,000-2,000 3 % \$2,000-3,000 4 % \$3,000-4,000 5 % \$4,000-5,000 6 % \$5,000 up 7 % Yield of Intangibles 8 %	8% Minimum \$10.00 (offset for personal property tax up to 90% of excise)	S \$ 800 M 1,500 D 300	None	Excise tax on corporations
South Carolina	First \$2,000 2 % \$2,000-4,000 3 % \$4,000-6,000 4 % \$6,000 up 5 % Dividends above \$100.00, 5% flat	4½%	S \$1,000 M 1,800 D 200	None	
Tennessee	5%	5% on interest and dividends 3% excise tax (credits against latter for privilege taxes)	None	None	5% tax applies only to interest and dividends.
Utah	First \$1,000 1 % \$1,000-2,000 1½ % \$2,000-3,000 1½ % \$3,000-4,000 1½ % \$4,000-5,000 2 % \$5,000-6,000 2½ % \$6,000-7,000 3 % \$7,000-8,000 3½ % \$8,000 up	3% or 1-20 of 1% of value of tangible property, whichever is greater. (offset up to 1-3 for property tax)	S \$1,000 M 2,000 D 400	None	Franchise tax on corporations.
Vermont	2% 4% on interest and dividends	2%	S \$1,000 M 2,000 D 250	None	Franchise tax on corporations.
Virginia	First \$3,000 1½ % \$3,000-5,000 2½ % 5,000 up 3 %	3%	S \$1,000 M 2,000 D 200	None	
Wisconsin	First \$1,000 1 % \$1,000-2,000 1½ % \$2,000-3,000 1½ % \$3,000-4,000 2 % \$4,000-5,000 2½ % \$5,000-6,000 3 % \$6,000-7,000 3½ % \$7,000-8,000 4 % \$8,000-9,000 4½ % \$9,000-10,000 5 % \$10,000-11,000 5½ % \$11,000-12,000 6 % \$12,000 up 7 % Surtax—deduct \$37.50 from normal tax and divide by 6	First \$1,000 2 % \$1,000-2,000 2½ % \$2,000-3,000 3 % \$3,000-4,000 3½ % \$4,000-5,000 4 % \$5,000-6,000 5 % \$6,000 up 6 % Surtax—normal tax less \$75.00 divided by 6	S \$ 8.00 (tax) M 17.50 (tax) D 4.00 (tax)	None	

S indicates single person. M indicates married person. D indicates dependent person.

TABLE NO. 2.

Personal Income Tax Due Under Federal and State Laws for Taxable Year 1934
on \$2,000 Salary.

State	Man, Wife, 3 Dependents			Single Person		
	Federal	State	Total	Federal	State	Total
Alabama -----	0.00	0.00	0.00	32.00	5.00	37.00
Arizona -----	0.00	0.00	0.00	32.00	12.00	44.00
Arkansas -----	0.00	0.00	0.00	32.00	5.00	37.00
Delaware -----	0.00	0.00	0.00	32.00	10.00	42.00
Georgia -----	0.00	0.00	0.00	32.00	5.00	37.00
Idaho -----	0.00	0.00	0.00	32.00	16.00	48.00
Iowa -----	0.00	12.00	12.00	32.00	24.00	56.00
Kansas -----	0.00	0.00	0.00	32.00	12.50	44.50
Louisiana -----	0.00	0.00	0.00	32.00	20.00	52.00
Massachusetts -----	0.00	0.00	0.00	32.00	0.00	32.00
Minnesota -----	0.00	0.00	0.00	32.00	8.00	40.00
Mississippi -----	0.00	0.00	0.00	32.00	31.25	63.25
Missouri -----	0.00	0.00	0.00	32.00	10.00	42.00
Montana -----	0.00	0.00	0.00	32.00	10.00	42.00
New Mexico -----	0.00	0.00	0.00	32.00	5.00	37.00
New York -----	0.00	0.00	0.00	32.00	30.00	62.00
North Carolina -----	0.00	0.00	0.00	32.00	30.00	62.00
North Dakota -----	0.00	0.00	0.00	32.00	15.00	47.00
Oklahoma -----	0.00	0.00	0.00	32.00	10.00	42.00
Oregon -----	0.00	0.00	0.00	32.00	26.00	58.00
South Carolina -----	0.00	0.00	0.00	32.00	20.00	52.00
Utah -----	0.00	0.00	0.00	32.00	10.00	42.00
Vermont -----	0.00	0.00	0.00	32.00	20.00	52.00
Virginia -----	0.00	0.00	0.00	32.00	11.25	43.25
Wisconsin -----	0.00	0.00	0.00	32.00	14.50	46.50

TABLE NO. 3.

Personal Income Tax Due Under Federal and State Laws for Taxable Year 1934
on \$5,000 Salary.

State	Man, Wife, 3 Dependents			Single Person		
	Federal	State	Total	Federal	State	Total
Alabama -----	\$ 32.00	\$ 12.00	\$ 44.00	\$140.00	\$ 65.00	\$205.00
Arizona -----	32.00	38.00	70.00	140.00	59.50	199.50
Arkansas -----	32.00	13.00	45.00	140.00	40.00	180.00
Delaware -----	32.00	24.00	56.00	140.00	50.00	190.00
Georgia -----	32.00	3.00	35.00	140.00	35.00	175.00
Idaho -----	32.00	57.00	89.00	140.00	115.00	255.00
Iowa -----	32.00	132.00	164.00	140.00	144.00	284.00
Kansas -----	32.00	38.00	70.00	140.00	71.25	211.25
Louisiana -----	32.00	26.00	58.00	140.00	80.00	220.00
Massachusetts -----	32.00	26.25	58.25	140.00	45.00	185.00
Minnesota -----	32.00	26.25	58.25	140.00	51.50	191.50
Mississippi -----	32.00	81.50	113.50	140.00	128.75	268.75
Missouri -----	32.00	24.00	56.00	140.00	47.50	187.50
Montana -----	32.00	22.00	54.00	140.00	60.00	200.00
New Mexico -----	32.00	19.00	51.00	140.00	35.00	175.00
New York -----	32.00	39.00	71.00	140.00	120.00	260.00
North Carolina -----	32.00	76.00	108.00	140.00	140.00	280.00
North Dakota -----	32.00	38.00	70.00	140.00	75.00	215.00
Oklahoma -----	32.00	15.00	47.00	140.00	60.00	200.00
Oregon -----	32.00	74.00	106.00	140.00	152.00	292.00

TABLE NO. 4.

Personal Income Tax Due Under Federal and State Laws for Taxable Year 1934 on \$25,000
Income (Assumed Sources of Income: Personal Service \$15,000; Taxable Interest \$10,000).

State	Man, Wife, 3 Dependents			Single Person		
	Federal	State	Total	Federal	State	Total
Alabama	\$ 2,251.00	\$ 885.00	\$3,136.00	\$2,804.00	\$1,005.00	\$3,809.00
Arizona	2,251.00	888.00	3,139.00	2,804.00	909.50	3,713.50
Arkansas	2,251.00	652.00	2,903.00	2,804.00	740.00	3,544.00
Delaware	2,251.00	542.00	2,793.00	2,804.00	590.00	2,841.00
Georgia	2,251.00	515.00	2,766.00	2,804.00	675.00	3,479.00
Idaho	2,251.00	1,224.00	3,475.00	2,804.00	1,808.00	4,112.00
Iowa	2,251.00	1,132.00	3,383.00	2,804.00	1,144.00	3,948.00
Kansas	2,251.00	786.00	3,037.00	2,804.00	840.00	3,644.00
Louisiana	2,251.00	652.00	2,903.00	2,804.00	760.00	3,564.00
Massachusetts	2,251.00	630.00	2,881.00	2,804.00	705.00	3,509.00
Minnesota	2,251.00	862.50	3,113.50	2,804.00	940.00	3,744.00
Mississippi	2,251.00	1,129.00	3,380.00	2,804.00	1,205.00	4,009.00
Missouri	2,251.00	626.00	2,877.00	2,804.00	690.00	3,494.00
Montana	2,251.00	764.00	3,015.00	2,804.00	840.00	3,644.00
New Hampshire	2,251.00	277.00(2)	2,528.00	2,804.00	277.00(2)	3,081.00
New Mexico	2,251.00	357.00	2,608.00	2,804.00	405.00	3,209.00
New York	2,251.00	865.00	3,116.00	2,804.00	1,000.00	3,804.00
North Carolina	2,251.00	1,224.00	3,475.00	2,804.00	1,320.00	4,124.00
North Dakota	2,251.00	2,300.00	4,551.00	2,804.00	2,540.00	5,344.00
Ohio(1)	2,251.00	500.00	2,751.00	2,804.00	500.00	3,304.00
Oklahoma	2,251.00	920.00	3,171.00	2,804.00	1,070.00	3,874.00
Oregon	2,251.00	1,508.00	3,759.00	2,804.00	1,686.00	4,440.00
South Carolina	2,251.00	1,010.00	3,261.00	2,804.00	1,080.00	3,884.00
Tennessee(1)	2,251.00	500.00	2,751.00	2,804.00	500.00	3,304.00
Utah	2,251.00	717.00	2,968.00	2,804.00	805.00	3,609.00
Vermont	2,251.00	645.00	2,896.00	2,804.00	680.00	3,484.00
Virginia	2,251.00	575.00	2,826.00	2,804.00	657.50	3,461.50
Wisconsin	2,251.00	1,484.75	3,735.75	2,804.00	1,609.83	4,313.83

(1) Tax calculated on the income derived from investments.

(2) Rate for 1933.

TABLE NO. 5.

Personal Income Tax Due Under Federal and State Laws for Taxable Year 1934 on \$100,000
Income (Assumed Sources of Income: Personal Service \$20,000; Taxable Interest \$80,000).

State	Man, Wife, & Dependents			Single Person		
	Federal	State	Total	Federal	State	Total
Alabama -----	\$ 29,946.00	\$ 4,635.00	\$34,581.00	\$31,404.00	\$ 4,755.00	\$36,159.00
Arizona -----	29,946.00	4,268.00	34,209.00	31,404.00	4,284.50	35,688.50
Arkansas -----	29,946.00	4,402.00	34,348.00	31,404.00	4,490.00	35,894.00
Delaware -----	29,946.00	2,792.00	32,738.00	31,404.00	2,840.00	34,244.00
Georgia -----	29,946.00	4,265.00	32,211.00	31,404.00	4,425.00	35,829.00
Idaho -----	29,946.00	5,724.00	35,670.00	31,404.00	5,808.00	37,212.00
Iowa -----	29,946.00	4,882.00	34,828.00	31,404.00	4,894.00	36,298.00
Kansas -----	29,946.00	3,786.00	33,732.00	31,404.00	3,840.00	35,244.00
Louisiana -----	29,946.00	4,578.00	34,524.00	31,404.00	4,740.00	36,144.00
Massachusetts -----	29,946.00	4,935.00	34,881.00	31,404.00	5,028.00	36,432.00
Minnesota -----	29,946.00	4,612.50	34,558.50	31,404.00	4,690.00	36,094.00
Mississippi -----	29,946.00	5,629.00	35,575.00	31,404.00	5,705.00	37,109.00
Missouri -----	29,946.00	3,626.00	33,572.00	31,404.00	3,690.00	35,094.00
Montana -----	29,946.00	3,764.00	33,710.00	31,404.00	3,840.00	35,244.00
New Hampshire(1) -----	29,946.00	(2)2,216.00	32,162.00	31,404.00	(2)2,216.00	33,621.00
New Mexico -----	29,946.00	2,607.00	32,553.00	31,404.00	2,655.00	34,059.00
New York -----	29,946.00	5,583.00	35,529.00	31,404.00	5,730.00	37,134.00
North Carolina -----	29,946.00	5,724.00	35,670.00	31,404.00	5,820.00	37,224.00
North Dakota -----	29,946.00	13,550.00	43,496.00	31,404.00	13,790.00	45,194.00
Ohio(1) -----	29,946.00	4,000.00	33,946.00	31,404.00	4,000.00	35,404.00
Oklahoma -----	29,946.00	5,420.00	35,366.00	31,404.00	5,570.00	36,974.00
Oregon -----	29,946.00	7,482.00	37,428.00	31,404.00	7,580.00	38,984.00
South Carolina -----	29,946.00	4,760.00	34,706.00	31,404.00	4,830.00	36,234.00
Tennessee(1) -----	29,946.00	4,000.00	33,946.00	31,404.00	4,000.00	35,404.00
Utah -----	29,946.00	3,717.00	33,663.00	31,404.00	3,805.00	35,209.00
Vermont -----	29,946.00	3,545.00	33,491.00	31,404.00	3,580.00	34,984.00
Virginia -----	29,946.00	2,825.00	32,771.00	31,404.00	2,907.50	34,311.50
Wisconsin -----	29,946.00	7,609.75	37,555.75	31,404.00	7,634.83	39,038.83

(1) Tax calculated on the income derived from investments.

(2) Rate for 1933.

Table No. 1 discloses the income tax rate structure as related to individuals, set out in the statutes of the several states where the income tax is made a basis of support. In some of the States recently adopting this law, such as Louisiana, a very gradual progression is noted. In such States as Alabama, Arizona, Idaho, Iowa, Kansas, Minnesota and Utah a steeper scale is used than that in some of the older statutes. Another feature which has been reflected in the newer statutes outlined in Table No. 1, is that the maximum income rates are higher than those of the states which adopted this system of taxation some years ago. In order to meet the emergency of the past three or four years the State of Wisconsin, which is the oldest state to adopt this form of taxation, has increased its rates materially.

Tables No. 2 to No. 5 inclusive, reflect in detail the rates set out in Table No. 1 to a certain extent. It is particularly noted in Tables No. 4 and No. 5 that the assumption regarding the character of income tax is highly artificial. In these it may be assumed that it is unlike that a person receiving \$5,000.00 salary would have no other source of income as is assumed in Table No. 3. It is still less likely that incomes of the types described in Tables No. 4 and No. 5 would exist at all in any certain case. In addition to summing up the rates set out in the various states, Table No. 1 outlines personal exemption and credit for dependents under the various types of statutes. A casual study of these tables shows a great variation in the yield of this character of income as applied to the States; the most serious of which is the unstable amount of revenues produced. By comparing the income tax as applied to the states with other forms of taxation, it will be observed that the revenues derived from income tax are very much less constant and subject to more variations than those from any other certain sources of revenue. Those assessed against the middle class incomes are to some extent more stable and certain than those applied to large incomes; this leads to the inevitable conclusion that State income taxes are looked upon with greater favor in the richer states than in the poorer; thus giving the lending states a distinct ad-

vantage over the borrowing states. From a careful study of the problem it would seem that there is no escape from this inequality among the various states using this source of income. Then, too, the committee calls attention to the costs of administration, which are based on estimates for the reason that many of the states do not set up a separate administration cost for comparison between the collection of individual and corporation taxes, and, generally speaking, it has been found that the collection of State income tax rises to a higher level than that of any other form of taxation unless it be the ad valorem tax.

The income tax for State purposes was first enacted in the State of Wisconsin in 1911 and has remained upon the statute books of that state since that time. Prior to the enactment of the Wisconsin statute, some effort had been made, without success, and although something like one-half the states have adopted it in later years, it has been taken up and added to the tax base of other states with a varying degree of satisfaction. A close study of this class of taxation among the states leads to the conclusion that it has been adopted on account of increased expenses in the local and State governments and the need of widening the tax structure to secure necessary revenue. As is pointed out in another caption of this report, the committee has shown where the ad valorem, or general property tax, has almost broken down in all the states and must have support from some source. It will be seen further that the states in addition to this form of taxation since about 1911, have added other means of taxation to their statutes and that the adoption of the income tax in every instance has been only one part of a movement to reorganize and strengthen the tax systems. Since the early days the ad valorem or general tax formed the main source of revenue and in order to supplement or strengthen the general property tax some of the states have adopted classified property taxes, while nearly all of them have enlisted the inheritance tax, as well as many special forms of license taxes. The whole system has been one of seeking a way to set up a system of taxation in the states

which would reach all the people and more equitably distribute the burdens among them. The income tax, while theoretically sound, presents many baffling problems which must be considered in an attempt to put it into practical effect. Some of them are what constitutes income in the general sense and what part, if any, should be subject to taxation; then the matter of setting a correct rate presents extreme difficulties. The first question in setting these rates is shall it be uniform or progressive, and if progressive, what scale is the most just. After the administration is once laid out, then the matter of enforcement becomes of extreme importance; then the matter of harmony between the states where it is sought to be laid and other states; and in the case of foreign corporations, what part of the income of the corporations is subject to taxation in the State. The question of exemption is always to be considered and in every state where an income tax is levied some sort of an exemption is made, which usually runs around \$1,000.00 to a single person and \$2,500.00 to a married couple. Besides these, the salaries of Federal officers in a state cannot be levied on in this manner, and vice versa, the Federal government cannot lay an income tax against the salaries of State officials. This gives a loophole to which a great number of officials drawing lucrative salaries may entirely escape the burdens of an income tax, either State or Federal. These reciprocal exemptions are made only on the terms of a fundamental system of our dual plan of government and for all practical purposes immunizes all official office-holders from the operations of an income tax. Added to that, billions of dollars in securities of various kinds are in circulation among the states, which are exempted from tax by the income route, both by the State and Federal governments. In this class may also be placed United States patent rights, from which source vast income is derived and not subject to taxation. The 16th amendment to the Federal Constitution of the United States, which is the income tax amendment, as applied to the Federal government covering its rights to levy an income tax, includes the term "from whatever source de-

rived." The Supreme Court of the United States in the case of *Evans vs. Gore*, passing on the right to levy an income tax upon the salary of a Federal district judge, said "thus the genesis and words of amendment unite in showing that it does not extend the taxing power to new or accepted subjects, but merely removes all occasion otherwise for an apportionment among the states of taxes laid on income, whether derived from one source or another." Without questioning this language the Supreme Court has denied the right of the states or the Federal government under the 16th amendment to tax the income derived from governmental salaries of the other. It has been suggested time and again that an amendment to the Federal Constitution should be adopted to prohibit the issuance of tax exempt securities, but there is not enough sentiment in the country at the moment to accomplish this and it has been demonstrated time and again by the action of Congress that the states will not, through their representatives, tolerate such a suggestion. Nevertheless, it is a conclusive fact that this vast amount of tax exempt income interferes with and practically prohibits the states from laying an income tax that will do equity to all classes of income. It is certain that no tax system, which is ham-strung in its operations such as is the income tax, can be laid with justice and equity so long as this multitude of exemptions are allowed. It affords a great opportunity for people who have substantial incomes to reduce their taxes by investing in tax exempt notes and bonds. This indisputable fact has come to the notice of every State in the Union that has adopted a system of income tax for its support. This committee has also observed that the tax laws of the states are very far from uniform in their operation and in that way citizens of some states are favored or punished over those of others. In most of these states there have been issued state and local bonds, as well as other securities, which are exempted from the provision of an income tax and which have contributed greatly to the confusion in the matter of laying a just income tax. In the operation of a state income tax it has been found necessary in all the states to con-

sider receipts from sickness, insurance, workman's compensation, damages, and interest from savings departments, in the matter of setting up exemptions. This phase of the matter is of great concern in those states which are undeveloped and less productive than others.

Some of the great difficulties in the matter of a State levying an income for support may be observed in the instance of an individual wage earner who finds himself in a State where an income tax is laid and to which he is subject. If he assumed he could find work in another state otherwise equally satisfactory where no tax was laid, that would certainly induce him to move to that state. This too may arise in the case of an individual who desires to establish a business, the location of which may hinge upon whether or not the state in which he is contemplating the location has levied an income tax. If one of the states lays an income tax and another does not, the greater inducement would certainly lean to the State which does not levy such a tax. This would be of peculiar importance to those States having vast natural resources to which business might be attracted and where capital is needed to carry on its business. It is sometimes argued that to lay an income tax thereby lightens the burden of agricultural classes. That might be true if the receipts from such a tax were used to defray the expenses of the government and also to supplant a corresponding levy on property for State purposes, but this is rarely done and a general study of the proposition will undoubtedly reveal the fact that those states levying an income tax have done so for the purpose of securing more revenue with which to meet the expenses of government and have not reduced materially the burdens which rest upon the general or ad valorem tax.

Without commenting further upon this form of taxation your committee invites the attention of the Legislature to the statements and tables herein presented with the hope that it will study carefully all phases of the income tax, in the matter of securing revenue for the State. Much has been written and said concerning this form of taxation and it is a patent fact that the Federal government has adopted it as its main base

of support. Statutes were passed during the last administration of President Cleveland in which it was sought to levy an income tax for the support of the Federal government, which were later declared unconstitutional by the Supreme Court of the United States. Then a long lapse of years went by before any serious attempt was made by the Congress to bring up the issue again for consideration. Finally a joint resolution was adopted by the House and Senate submitting the issue to the people in the form of an amendment to the Constitution, which was adopted and is known as the 16th Amendment. This in a way establishes this form of taxation for use by the general government and many of the States take the position that they should not enter this field of taxation because the Federal government adopted it first and made it permanent. It is not thought wise by many for the Federal government to encroach upon properties and incomes reserved to the states for taxing purposes. The same source of reasoning would impel the thought that it is not wise for the states to encroach upon those properties and incomes from which the Federal government derives its source of revenue. The President of the United States in a recent message to the country, has called attention to the fact that there should be some agreement arrived at as between the Federal government and the States in the belief that there should be no conflict here.

Premises considered, this committee leaves the subject with this Legislature for consideration.

The Sales Tax.

Among many phases of the tax problems that have come before this Committee, perhaps the most interesting is the growth and development of the so-called "Sales Tax" in the various states of the Union during the past several years. Although it is still a controversial issue in some sections of the country, it is a patent fact that where it has been adopted as one of the principal methods of revenue raising the opposition has given way to general support. This is not a new form of taxation, as history will recall. It has been in effect in one form or another

in the governments of the world since the earliest ages, but did not become popular as a general revenue raising measure in the United States until after the depression of 1929 set in. Since that time twenty-four states have set it up either as an emergency and/or in many instances as a permanent policy. In the State of Missouri it was first adopted as an occupation tax, which yielded one-half of one per cent on gross retail sales. During the first nine months of its existence on that basis in Missouri, there was derived from this source a little more than three million dollars. Governor Parks says that in his opinion the amount should be considerably increased and made permanent and that it doubtless will be when the present emergency law expires during this year. He further says that when additional revenue is derived from this source it should be used to relieve the burden of ad valorem taxes. Thus it will be seen that during its short operation in the State of Missouri, this form of taxation has gained general favor and will in all probability be made permanent as one of the chief sources of revenue.

Governor Olsen of New Mexico reports to this Committee that the sales tax has become a law in his state and is operating satisfactorily and has enabled the state to keep its public schools open.

Governor Benjamin B. Moeur of Arizona reports to the committee that some two years ago a general sales tax of one and one-half per cent, coupled with a special luxury tax on certain articles, became a law in his state. In making his report he explains that all of the fight on the sales tax was made before its adoption. He states, however, that after its adoption it has become as popular a tax as any measure could be and says further that he feels that a sales tax tends to justly distribute the burden of taxation and makes a broader base on which such burdens may be more equitably distributed among the people. He says further that on the convening of his Legislature on January 14 of the present year, he intends to suggest that this tax be still further broadened so that such revenue will be derived to cover State government costs, thus elim-

inating the property tax for State purposes. He further suggests that it will be well for the merchant to include the sales tax in the price of his merchandise rather than make it a separate charge. It is remarked in this connection, as applied to the sales tax, that all of the opposition to such a tax developed before the tax was adopted as a revenue producing agency but in each and every case after adoption the opposition disappeared and general approval has taken place. Most everyone is willing to pay it and it is the only method that it has been found up to this date that gives real property any relief from direct taxation.

Governor Merriam of California, through his Sales Tax Counsel, writes in to say that it is relatively certain that the sales tax, which was adopted as an emergency, will be continued in effect in that State by the Legislature which meets in January of this year. The tax in California has shown itself to be productive of a considerable amount of revenue. The collections from August 1, 1933, to September 30, 1934, totalled Fifty-nine Million Seven Hundred Seventy-One Thousand Six Hundred Twenty-one Dollars and Seventy Cents (\$59,771,621.70) based on a rate of two and one-half per cent (2½%) on retail sales. According to this report, the tax is generally regarded as operating satisfactorily in the State. Before it was adopted there was a good deal of opposition, which came largely from labor organizations, but this opposition has almost completely disappeared and the levying of the tax is generally approved. An initiative measure was instituted sometime after the adoption of the tax to repeal it and adopt in lieu thereof the "Single Tax," but this failed at the ballot of the general election of November 6, which thereby registered the approval of California of the sales tax. The principal argument made in this campaign was to the effect that the sales tax is a more democratic form of tax than any others that have been set up; that is to say, it requires all the people in the State to contribute to some extent to the support of the government. The revenue derived from this source of taxation will go a long way toward reducing the excessive burdens which have been

placed upon the owners of real estate.

The reduction in county taxes in the State is due to the fact that there is being supplied from the sales tax a major part of the funds expended in support of the public educational institutions of the State. It has further been found that the low cost of administering the sales tax is met with great favor. It is generally recognized that a sales tax is the least expensive of all major forms of taxation and that the total cost of administration is one per cent plus of the revenue derived from the tax. Although applying at a flat rate on receipts from all retail sales, the tax may be said to apply at a regressive rate, inasmuch as persons with a very limited income may spend a greater portion of that income in purchasing tangible personal property than to persons with greater incomes. This criticism of the tax loses its weight, however, when it is considered that the retail sales tax is only one part of the tax system of the State and is imposed along with other taxes which have progressive rates.

In Pennsylvania Mr. Sanford D. Beecher, an official in the Department of Revenue at Harrisburg, writes in to say that a consumers sales tax of one per cent has been levied in that State for the purpose of meeting the relief situation, which has been done in an admirable way. Since its passage the tax has not been challenged by anyone and the administrative difficulties which were encountered were probably no greater than might be expected from the enforcement of the collection of any other taxes. This State had no precedent to go by in levying a tax and its chief concern was to produce a definition of what constituted a consumers sale, or sales not for resale. The tax is payable in installments and the payments are handled by a simple system of bookkeeping and files.

Governor Ehringhaus of North Carolina reports, in answer to the Committee's request, that in his State, as elsewhere, the excessive tax burden borne by real estate had, prior to the enactment of the sales tax, become a subject of great discontent and complaint among the people. The principal items in this burden were taxation in support of roads and schools,

which had theretofore been the primary obligations of the subdivisions of the State. The Legislature in 1931 relieved these subdivisions of the burden of road support through the State's taking over the entire highway system, which is supported by gasoline and license taxes. At the last session of the Legislature in North Carolina, at the suggestion of the Governor, the State also took over the entire burden of supporting the public schools throughout the commonwealth, leaving the local units the right and duty to supplement the standard of these schools through popular vote. This action took from the land the great burden of school support and the entire program was made possible through the adoption of a three per cent (3%) sales tax. After this tax was enacted, the schools, a major portion of which had been forced to close before the regular time limit theretofore, have been kept open for an eight months term both in rural and urban communities; the teachers have been paid promptly in cash without the necessity of discounting their vouchers; and real estate has been relieved of approximately thirty per cent (30%) of its former burden. By reason of adopting the sales tax, the Governor states that the budget is now balanced, which for years before that had been out of balance; that the operation of the government comes well within income and that their bonds are selling above par.

Illinois was one of the original States to pass a general sales tax and before getting it into final operation two statutes enacted by the Legislature were held as contrary to the Constitution. Another statute was finally passed and Governor Herring reports that it is working satisfactorily and has done more to relieve undue burdens that have been resting upon real estate than any other tax law that has been passed in its history. Prior to the passage of this law the City of Chicago and the State of Illinois had been relying largely on ad valorem taxes to meet expenses and this had failed entirely to supply them with needed funds. When the depression came on it was necessary for the Legislature and the citizens of the State of Illinois to cast about for a new system of taxation, which, according to the reports

received by the Committee, seems to be working well.

Similar reports have come to the Committee from the State of Mississippi. The present Governor of the State espoused the sales tax as the principal plank in his platform when he was first elected. When he was inducted into office about two years ago the State was in debt approximately Twenty Million Dollars (\$20,000,000.00) and its bonds were as dregs upon the market. At this time the State is not pressed with obligations, has been able to meet its current needs promptly with cash, and its bonds are selling at par and above. The reports indicate that some opposition to the tax was experienced before its enactment into law, but since then the opposition has died down and the tax is hailed with general approval by the people.

A general sales tax was enacted during the past year in the State of Vermont for the support of the government, but the operation of the law has been retarded by litigation proceeding out of an injunction granted upon application of the A. & P. Tea Company and the First National Stores, restraining the enforcement of the law against these two companies, which happened to have many branches in the State and produced a larger portion of the sales made. The officials and people of the State hope to be victorious in this suit and look with eagerness to its final consummation in the hope that the tax burdens will be greatly relieved when and if the law becomes effective.

The above and other States, numbering twenty-four in all, have adopted the sales tax as a method of procuring major governmental expenses and during the last three or four years and according to reports made to the committee, all of them seem to be satisfied with this method of taxation and although some of the statutes have been passed to meet emergencies during the depression and were enacted as temporary measures, most of them are making these statutes permanent as time goes on.

A great many citizens of Texas have appeared before the committee and have freely discussed the subject of taxation in general and without exception have been allowed to discuss the sales tax in a free and easy manner. It is in a way a new proposition to most of our people, but interest in the matter has been increas-

ing during the past year or two and a good number of our leading citizens have informed themselves in an able manner on its working in other states. It is, of course, a controversial matter and all do not agree as to the effects it would have.

The three regional chambers of commerce in Texas were requested by the committee to make a survey of their districts to ascertain the wishes of the people on the advisability of adopting such a tax in Texas. From the reports, the preponderance of opinions gathered indicates that such a tax would, if adopted, meet with general approval, provided the tax burden was not increased and that it would not be "just another new tax." The consensus of opinion moves toward using moneys derived from this system of taxation to lighten the burden which rests upon the ad valorem, or property tax. The secretary of the West Texas Chamber of Commerce sends us a clipping from the Boston News Bureau as of December 1, stating that the Tax Commissioner of Massachusetts would urge a sales tax during the current session of the Legislature, which will make another and an additional state coming into the throng and expresses the hope that this might encourage the Texas Legislature to follow the example of such a conservative and well-known state as Massachusetts.

In Indiana a state gross income, or sales, tax or one per cent (1%), is levied on all retail sales, with few exceptions. Governor McNutt approves the tax and states that it has been a great relief in the way of lessening the undue burden laid upon the general properties of the state.

In Iowa a tax on gross income from retail sales is laid, which brings in a total of Fourteen Million Dollars (\$14,000,000.00) a year. The law calls on retailers to pass the amount of the tax on to the customer and forbids any merchant from advertising that he absorbs the tax. The rate in this state is two per cent (2%) on the gross sales of all persons selling to ultimate consumer. The law is reported to be working satisfactorily and reports great relief from the burdens of the old system which rested upon property and arose from ad valorem taxes.

In 1933 the Michigan Legislature enacted a sales tax law based upon three per cent (3%) gross on all retail sales. The tax in this state is

passed on to the consumer and is reported to be working satisfactorily and affording much relief as compared to the old system of property tax.

In 1933 the Legislature of the State of Utah amended the previous sales tax and imposed two per cent (2%) on retail sales of tangible property and included in it sales of service or commodities by certain public utilities. This tax is passed on to the consumer and is reported to be working satisfactorily in every way.

In the State of Washington there is collected approximately Sixteen Million Dollars (\$16,000,000.00) annually from a sales tax. This tax is a graduated tax ranging up to three per cent (3%). The tax is passed on to the consumer and the proceeds go largely for the support of the public schools. It is reported to be working satisfactorily and furnishing great relief as compared to the old system.

The State of Oklahoma levies a sales tax of one per cent (1%) on gross sales of all commodities.

At the time this committee met there was pending before the Legislature of the State of Ohio a general sales tax relating to the sale of tangible personal property calling for a three per cent (3%) levy on all retail sales with graduations on sales of less than One Dollar (\$1.00).

It seems to be the general opinion based to the majority of the evidence at hand, that a moderate sales tax is the fairest, most equitable and most efficient means of raising needed public revenue. It is based both on the ability to pay and the benefits received from government, and is paid in small amounts from day to day as sales occur. A larger proportion of this tax than any other laid, finds its way to the public treasury for the reason that it involves less expense and trouble to collect and in this respect is the most economical of all taxes. In those states which have adopted it as a major revenue producing agency, there is no complicated machinery of collection required; no loopholes are provided for the escape of some taxpayers to the disadvantage of others; no delinquencies occur to be either lost or collected at great expense to the state and taxpayer. It is claimed by some that the sales tax lays a burden upon the purchasing power

of the people but this is so in the case of every tax that is collected. When a citizen pays his property tax he has that much less to spend for food, clothing, and other necessities. When he pays his income tax his purchasing power is reduced by the amount he pays. Even if he pays only a poll tax he has that much less to spend for merchandise and luxuries. The sales tax differs from others in that it cannot be taken from any other source than the current spendable income of the taxpayer. Other taxes may exceed the spender's ability to pay from current funds, force him to borrow money to meet them or lose his home, but with the sales tax this is impossible for the reason that no taxes are paid if no purchases are made. This tax can never exceed the taxpayer's means, never create a lien upon his property, nor subject him to vexations and troubles, litigations or harsh penalties, as so often occurs in the collection of ad valorem or property taxes. He simply pays this tax as he spends his current income and always in exact proportion to his spending. Property taxes vary among counties, cities and other public subdivisions. For example, a man owning a farm valued at One Hundred Dollars (\$100.00) per acre in one county, may pay a higher tax per acre than the owner of similar land in another and adjoining county. Even in the same county or district there will necessarily be many inequalities, since assessments for property taxes represent the opinions of assessors and equalization boards which, no matter how good the intentions of such assessors and board members may be, can never be precisely correct. After centuries upon centuries of experience in property taxation, the question of what constitutes true value is a controversial one. In fact, no standard has ever been set up by man by which a yardstick of true value as applied to any property, either personal or real, may be measured from day to day. Conditions of a thousand kinds, locations, and other things, enter largely into valuations of this character of property. Every year thousands of disputes attest the difficulty of carrying out the Constitutional rule of equality, and uniformity, in the matter of taxing property in Texas and elsewhere that the property tax is and probably cannot be proportioned on ability to pay, as demonstrated

constantly by tax suits and foreclosure sales. A huge proportion of taxes is delayed in payment and a large part is lost; in every Texas county delinquents increase by leaps and bounds from year to year. It will be noted, and has been observed by this Committee, that within less than a decade delinquent taxes have increased in this state more than one hundred per cent and the end is not in sight. It may be said in passing just here, that many people claim that the income tax is the fairest of all taxes; yet, experience has shown that it works hardships upon many citizens of moderate means, is often evaded by the wealthy, and necessitates the employment by the government of large collecting agencies and the employment by citizens of tax experts and attorneys to guard their interests at great cost. It is an ancient maxim of taxation that the expense of any tax to the citizen should be as little as possible above the amount of his tax, so that the largest possible portion may pass into the public treasury. There is perhaps no tax which costs the citizen more, over and above the net amount received by the government, than the income tax. In efforts to make this tax fair, graduated rates have been adopted by both the Federal and State Governments where it is applied, numerous deductions allowed and various exemptions provided. As a result of this, wealthy men able to employ experts and attorneys, can take advantage of every possible technicality in the law to keep their taxes low, while the average tax-paying citizen often loses deductions and exemptions to which he is fairly entitled. The whole country was shocked not long ago by the discovery that in certain years one of the largest of all international financial institutions paid no income tax at all. One may read almost daily of evasions, or alleged evasions, of income tax by wealthy individuals or great corporations. Meantime, many an average taxpayer finds himself hard driven to pay, out of presently available funds, the tax upon income made and spent in the preceding year. Someone has said that the income tax is a tax upon "water that has gone over the wheel"; that is to say, a tax upon past earnings, of which little or nothing may be left at tax paying time.

The sales tax, on the other hand, is paid little by little as these earn-

ings are spent. The rich man cannot evade it if he would; the poor man cannot be burdened by it beyond his ability to pay; neither attorney nor expert is needed to help the taxpayer figure it out, nor is any complicated machinery of government necessary for its collection. The earnings in this respect may decrease or increase from time to time but the income is certain. Crop failures and other misfortunes experienced by the farmer may make even a low property tax disastrously burdensome. Expense of illness and other things which befall us and for which exemptions are not allowed, may make income tax to great for the taxpayer to bear, but the sales tax keeping exact pace with the citizen's needed purchases, can never be out of proportion to his available means. He who buys in addition to the necessary things of life, expensive luxuries, will pay, as he should pay, large portions of the tax, while he who is of small means will pay in proportionately small amounts. In this way every citizen becomes a direct part and parcel of the government, and necessarily learns to appreciate its protecting influence more and more.

While a moderate sales tax would not be burdensome on any class of citizens on account of the equitable manner in which it is laid, it would at the same time lay a small burden on all classes of people, and thus its imposition would serve to interest everybody in efficient and economic government. One of the greatest arguments in favor of the sales tax is that under present conditions prevailing in this State, less than one-fourth of its inhabitants carry the entire burden of public debt and public expenditures. It is argued by those who favor the sales tax that its adoption would form a broader base and thus spread the load proportionately out among the seventy-five per cent (75%) of our people who do not pay either income or ad valorem taxes. It is but stating what should be plain to all, that every form of taxation finally rests upon the whole people, but this fact is not always recognized. Non-owners of real estate, for instance, often lose sight of how their rent, the price they pay for commodities and services, and even their wages, are affected by property tax; since they do not pay property taxes directly, they are tempted to regard such taxes

as burdens borne by others. The same is true of non-payers of income taxes. Those who do not pay these taxes directly may feel that the government expenses are of less concern to them than to the direct taxpayers, and in that way become entirely disconnected from the government itself. The sales tax brings home to all the people an interest in the operations and the expenditures of the several branches of government. Wherever it has been adopted it has resulted in an increased pride of citizenship on the part of the great mass of people, and in an increased popular interest in the affairs of government. It has drawn citizens of all classes together, wiping out imaginary bars between them, and destroying antagonisms founded upon such distinctions.

Under the sales tax every citizen is, and knows himself to be, a contributor to the support of his government. Yet, if the tax be fixed at a reasonable rate, the average small home owner will pay less than his present property taxes. It is agreed upon by all supporters of the sales tax, that the new tax is not to be an additional burden upon the people, but to equalize those that are now unjustly bearing the major portion of it.

What can be accomplished with the sales tax is no longer an unsettled question in those states that have adopted and put it into use during the last three years. It is working in them a fine and satisfactory way. Their success has turned nationwide attention upon this method of providing a needed public revenue and is spreading the burden out among the masses of people to whom the benefits of government inure.

Necessarily, on account of its recent adoption by approximately fifty per cent (50%) of the American States as a major item of governmental revenue, a sufficient time has not elapsed to insure the best results of the general sales tax. However, the progress it has made and the unanimity of praise it is given where it has been adopted, compels all students of taxation to a careful consideration of its merits. It is the opinion of a majority of this committee that it should be tried out in Texas, leaving the details of the bill to be formulated along the lines of that which seems to give the most satisfaction in those states which have adopted it. Ample evidence of

the fact that this method of taxation is sound and much more equitable than that now applying in this state, and that no other system of taxation which has come to our notice promises relief comparable to the sales tax, we are inevitably led to the conclusion that it presents the most practicable solution of our tax difficulties at the moment. It is true that a tightening up of our present tax assessing and collecting tactics should be made at the earliest possible moment, so as to enable us to balance the budget and provide for the running expenses of the government. But when all this is said and done, there still remains behind approximately Eight Hundred Million Dollars (\$800,000,000.00) in bonded debts in this state, which are first mortgages on every piece of real estate in our borders and to service which debt requires about forty per cent (40%) of our taxable income. Personal property of every character and kind is of uncertain value, elusive and of short duration. For this reason these debts must remain a positive and constant load upon real property which by no possible stretch of the imagination can escape taxes. The real estate of Texas constitutes about one-fourth of the value of its properties, as the yardstick goes, and the injustice and inequity lies in the fact that seventy-five per cent (75%) of the public debt and the public expenses are extracted from this realty. If the depression is ever to end here, something must be done to relieve and equalize this burden. Under present conditions people no longer desire to own a home or piece of real estate in Texas for the reason that in the long run the tax with which to meet the pressing obligations resting upon it will in the end mean certain confiscation. It is an undisputed fact today that no young couple starting out in life will attempt to buy a home or a piece of real estate knowing as they do that a rented place can be had cheaper. Those who are unfortunate enough to own such properties are being driven away from them by sales at far below cost where a purchaser can be found. A general survey by the real estate boards of Texas will show that during the past several years more than fifty per cent of every dollar received by landlords as rent, goes back to the government in form of taxes, and that the general average of profits aris-

ing from the ownership of real estate during the past four years covering both the urban and rural sections, is zero. Every thinking citizen must know that this condition has a paralyzing effect upon the people of the state, for after all other properties have vanished from the earth the realty, or ground properties, must furnish the sustenance for the people. Their very existence depends upon it for "life, liberty and the pursuit of happiness," and it is up to us to protect and restore to the people this, the only heritage which the Almighty has created and placed here for their benefit.

Premises considered, a majority of the Committee recommends to the members of the Legislature, a profound study of this problem, with the hope that a general sales tax will be adopted either in the form of a Constitutional amendment, submitted to the people, or the proper statutes. After seriously considering the many angles to this situation, it is believed by a majority of this Committee, that the proceeds derived from a general sales tax could be best used for the purpose of liquidating the outstanding bonded and warrant indebtedness of the State, the counties, and other political subdivisions, amounting to approximately Eight Hundred Million Dollars (\$800,000,000.00) and the servicing of which requires more than forty per cent (40%) of the public income from taxes. If these obligations can be removed from the shoulders of the people of the State, the running expenses of the government can be easily financed if other recommendations made by the Committee are adopted by the Legislature. Due to the fact that many of the States, as heretofore related, have already adopted a general sales tax, it will be easy to select what seems to be the best of these plans as a model for Texas in constructing statutes to meet our needs. In order to obviate the possibility that this recommendation is based upon the idea that we are to have "just another tax" added to the burdens we now have, a majority of this Committee suggests and urges that a Constitutional amendment be submitted to the people of Texas to be voted upon as a single proposition at an election called for that purpose at the earliest practicable date, said amendment to stipulate that the pro-

posed general sales tax be levied at say two (2) or three (3) per cent, to be applied on the payment of bonded and warrant indebtedness above referred to; that the collection of the tax be placed in the hands of some existing State agency designated for that purpose here in Austin, and that said agency retain from these collection five per cent. (5%) of the total amount derived from this source of revenue to be applied on the payment of the State relief bonds, until they are liquidated, and in addition to that, a sufficient amount out of said funds to pay the actual cost of collecting and servicing through this department, which according to States having this tax, will not run as much as two per cent (2%). This done, approximately ninety-three per cent (93%) of the total will be allocated back to the counties in proportion to the sales made in each of said counties, to be applied equitably as between the county, municipalities, and districts therein located. Thus every dollar collected from the sales tax would be applied on existing debts of the State and its subdivisions, and would give direct relief to every taxpaying division in the State in that way, and to that extent, and no part of the proceeds of the moneys arising from said sales tax could be in any way appropriated or expended by the Legislature or other officers of the State. If in that manner more than forty per cent (40%) of the debt load can be lifted, all of the taxpaying divisions of the State will be in that proportion better able to meet the current expenses of government. Moreover, a majority of this Committee, after six weeks careful consideration of our tax problems, has concluded that this is the best and the strongest recommendation that it can make to this Legislature, in that it affords the broadest possible base upon which a just tax structure may rest. It is erroneous to say that "ability to pay" is the only rule by which one should be guided in the payment of taxes. There is another and equally binding, and that is all taxes should be considered from the angle of "benefits received." Every human being receives some benefits from his government and in some way tangibly ought to be tied to it. A general sales tax will afford a common

ground upon which all must meet and must share in some small way, not only in the benefits he receives from his government, but in its burdens as well.

We sincerely trust that the Forty-fourth Legislature will give this recommendation its most serious consideration in connection with all of the facts and difficulties which surround us, with the firm hope and belief that if it does, it will come to the same conclusion we have reached—that is, that a general sales tax is the only way out.

Respectfully submitted,
ARTHUR P. DUGGAN,
Senator, District No. 30.

T. J. HOLBROOK,
Senator, District No. 17.

I respectfully dissent from the view of my distinguished colleagues of the Committee with reference to the sales tax. I do not believe that the adoption of a general sales tax is the proper solution. While it is true that the ad valorem tax on real property for all purposes is burdensome, and in many instances unreasonable, I believe that the Constitution should be amended so as to exempt homestead real property from all ad valorem taxes except for local public school maintenance and support, and that in lieu thereof and to make up for the decrease in revenues incurred by such action, the gross receipts tax should be extended to cover every enterprise and that the necessity for additional revenues from sources other than the ad valorem tax on real property and in lieu of a general sales tax, a selective sales tax might be enacted, placing thereby a tax upon non-essentials. Regardless of the general favor with which the general sales tax has met where it has been tried in several other States, it, nevertheless, impresses me as being a tax easily evaded and fraught with more inequities than almost any other form of tax.

It is with genuine regret that I cannot concur in the views of my colleagues, both of whom have given the subject matter profound study and exhaustive investigation, and it is with a degree of reluctance that I voice an opinion different from that arrived at by them after the maturi-

ty of their thought and study upon the question.

Respectfully submitted,
(Signed) GRADY WOODRUFF,
Senator, District No. 22.

Respectfully submitted,
SENATE TAX PROGRAM
COMMITTEE.

(Signed)
ARTHUR P. DUGGAN, Chairman,
Senator, District No. 30.

(Signed)
T. J. HOLBROOK,
Senator, District No. 17.

(Signed)
GRADY WOODRUFF,
Senator, District No. 22.

Minutes of Committee Meetings.

Minutes of Committee on Mining,
Irrigation and Drainage.

Held February 19, 1935.

Called Meeting.

Present: Regan, Hopkins, Blackert, Hill, Neal, Small, Stone, Van Zandt and Burns.

Absent and excused: DeBerry and Holbrook.

Committee Substitute for S. B. No. 227 was reported favorably with committee amendments by the following vote: yeas 9, nays 0.

Committee Substitute for S. B. No. 169 was reported favorably by the following vote: yeas 9, nays 0.

S. B. No. 291, was reported favorably by the following vote: yeas 9, nays 0.

ORVALEA WILLBANKS,
Secretary.

THIRTY-FIRST DAY.

Senate Chamber,
Austin, Texas,
February 25, 1935.

The Senate met at 10 o'clock a. m., pursuant to adjournment, and was called to order by Lieutenant Governor Walter F. Woodul.

The roll call disclosed a quorum, the following Senators being present:

Blackert.	Hill.
Burns.	Holbrook.
Collie.	Hopkins.
Cotten.	Hornsby.
Davis.	Hughston.
DeBerry.	Martin.
Duggan.	Moore.